

Coronavirus Assistance Resources

Prepared by Knight Accounting & Technology, 3/28/20

We know these are new and difficult times for many of you. It seems like every day new information is being shared. On March 27th, 2020 the President signed the CARES Act, a major stimulus package to help those impacted by the coronavirus. This, along with a number of other resources, are created to help you as individuals and as small business owners. We want to give you some resources that will help you, our very dear clients and friends.

Due to the ever-changing nature of this situation, program details are rapidly evolving. We will post any updates we become aware of on www.cpamichele.com, but it is up to taxpayers to do their due diligence when researching and applying for various programs.

If you would like Knight Accounting & Technology's assistance with your research or your applications, please contact Meg Abbott at trajectorytax@gmail.com. She will be available at a discounted rate of \$60/hour to help out whoever needs additional assistance. While we have always made it our practice to avoid charging for emails or additional services, these circumstances were unforeseeable, and we are trying to adjust on the fly as well. We are still heavily focused on our tax season work and our 1st quarter reporting requirements, so this is our best solution to accommodate for our work capacity, while still maintaining our own physical and mental health as well as supporting and caring for our families.

For Individuals

Recovery Rebates:

- The CARE Act approved payments of **\$1,200 for individuals and \$2,400 for married couples, plus an additional \$500 per child under age 17**. There are phase outs based on your AGI, beginning at \$150,000 for Married Filing Jointly, \$112,500 for Head of Household and \$75,000 for all other filers (including Single).
- The AGI will be based on your 2019 taxes if you've already filed, and 2018 if you have not yet filed.
- Payments will be made "as soon as possible" but potentially not until May.
- Social Security recipients will receive their payment when they get their Social Security check.
- Those who received a refund on their 2018/2019 return will receive their payment via direct deposit to the banking account on record. All other checks will be sent to the last known address on file at the IRS. If you have moved and need to update your address, please submit Form 8822 to the IRS immediately.
- More information can be found here: <https://crsreports.congress.gov/product/pdf/IN/IN11282>

Distributions from Retirement Accounts:

- You are able to withdrawal up to \$100,000 from your retirement accounts.
- The distribution must be made in 2020.
- This withdrawal will be exempt from the typical 10% early withdrawal penalty.
- This is considered income and will be taxable. It can be 100% taxable in 2020 or you can spread the income evenly over the next three years.

- Additional details are available in this article: <https://fortune.com/2020/03/27/401k-withdrawal-penalties-waived-retirement-accounts-loans-retirees-coronavirus-stimulus-package-cares-act-relief-bill/>

Loans from Retirement Accounts:

- You are now able to take up to \$100,000 as a loan from your employer retirement plan (up from \$50,000).
- Be sure to check with your plan administrator for approval.

Student Loan Payments

- For federally held student loans, there will be no payments and no interest accumulated for the next six months, until September 30, 2020.
- You must call your student loan company to confirm if you qualify and to cancel upcoming payments. They will not be cancelled automatically.
- Additional details are available in this article: <https://www.forbes.com/sites/zackfriedman/2020/03/26/student-loans-coronavirus/#33be6f57b70d>

Expansion of Healthcare-Related Rules

- Over-the-counter (OTC) medications and menstrual care products are now included as an eligible medical expense.
- Medicare Part D recipients can now request a 90 day supply of medications, instead of the typical 30 day supply.

Unemployment Compensation:

- The criteria for qualifying for unemployment compensation has significantly been expanded.
- There is a new type of unemployment for “Pandemic Unemployment Insurance” that covers a larger group of individuals, including sole proprietors with no other employees. The advice is to apply if you need it, even if you don’t think you currently qualify.
- Unemployment checks will have an additional \$600/week for a 4 month time period.
- More information can be found here: <https://www.nelp.org/publication/unemployment-insurance-provisions-coronavirus-aid-relief-economic-security-cares-act/>
- Most states have a Department of Labor & Employment for filing unemployment claims (Colorado’s is found at <https://www.colorado.gov/pacific/cdle/information-and-resources-coronavirus>)
- Before you apply for unemployment, you want to check with your current employer on options as the CARE Act has created a lot of incentives for small businesses to keep people employed which are documented below.

For Small Businesses

Paycheck Protection Program

- **This is a biggie.** This is what some people refer to as the 'forgiveable loan'.
- This is a loan issued by SBA approved lenders. You must apply by June 30, 2020.
- The loan will have a maximum duration of 10 years, maximum interest rate of 4%, a maximum loan of 2.5 times your average monthly payroll cost of the previous year (excluding employee compensation that was over \$100K).
- The loan can be used for: Payroll, group health insurance premiums, salaries, rent or mortgage interest, and utilities.
- Now, the fun part. A part of the loan is 100% forgiveable if the funds are spent during the 8-week period following the issuance of the loan, and the funds were used on eligible payroll costs, rents and utilities in force before Feb 15, 2020, and group health insurance.
- There are some caveats to qualify for the forgiveness, mainly you need to keep the same number of employees on payroll through June as you had previously. You'll want to look up those details.
- This is a **major** motivation to keep your employees employed.
- Additional information can be found here:
<https://www.natlawreview.com/article/paycheck-protection-program-sba-loan-program-expanded-cares-act>
- More information can be found in this article:
<https://www.forbes.com/sites/peterjreilly/2020/03/27/paycheck-protection-program-looks-like-a-very-sweet-deal/#18eee1241c60>

Employee Retention Credit

- A payroll tax credit of 50% of wages paid to each employee, up to a max of \$10,000 of wages per person per month.
- To qualify, you must have had a greater than 50% reduction in your revenue (not profit) from the same-quarter in 2019. You are eligible to receive this credit for ever quarter you qualify for in 2020.
- The credit would be available to businesses that do not receive Small Business Administration loans
- Additional information can be found here: <https://www.finance.senate.gov/ranking-members-news/wyden-announces-retention-credit-to-keep-workers-on-the-job>

Deferral of Payment of Payroll Taxes

- Employers will be allowed to defer 2020 employer payroll taxes.

- 50% of the payroll taxes will be due on 12/31/21 and the remaining 50% will be due on 21/31/22.
- Details of this program have not been released. If Knight Accounting processes your payroll, we will assume you want to continue making your payroll taxes as they are due to avoid future liabilities piling up, but if deferral is important to you, please let Michele know via email and she will note your account for this change when it becomes available.

Quickbooks GoFundMe Grant

- Quickbooks has partnered with GoFundMe to offer a matching \$500 grant to any business that raises \$500 through a GoFundMe project. Details can be found here:
https://quickbooks.intuit.com/smallbusinesshelp/?cid=DR_em_46556_001_Text1_US_QBOA

Other helpful notes and resources:

- If you are an S Corp owner, you do NOT need to pay yourself wages during this time period. Please hold off any paychecks to you as the owner until you are financial secure.
- <https://www.ebglaw.com/news/the-cares-act-what-employers-need-to-know-part-i/>
- <https://www.natlawreview.com/article/cares-act-stimulus-bill-tax-changes-to-improve-liquidity-businesses-assist-employers>

We are thinking of each and every one of our clients during this challenging time. Our husbands both work in ER's, so we are acutely aware of both the health and the financial fears everyone shares right now. We do apologize if our response time is a little slower than usual, but we promise to do our best!

Remember, if you would like Knight Accounting & Technology's assistance with your research or your applications, please contact Meg Abbott at trajectorytax@gmail.com. She will be available at a discounted rate of \$60/hour to help out whoever needs additional assistance.

Sincerely,

Michele Knight, CPA

Meg Abbott, EA and Candidate for Certified Financial Planner Certification

www.cpamichele.com