



Tax News and Industry Updates

2020
Volume 8, Issue 2



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IRS Issues Guidance on Economic Impact Payments

Cross References

- IR-2020-61, March 30, 2020

The President signed into law the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) on March 27, 2020. The law includes direct payments to taxpayers based upon the taxpayer's filing status and adjusted gross income. The IRS has released its first round of guidance on these economic impact payments.

On March 30, 2020, the IRS announced that the distribution of economic impact payments will begin in the next three weeks and will be distributed automatically, with no action required for most people. However, some seniors and others who typically do not file returns will need to submit a simple tax return to receive the stimulus payment.

Who is eligible for the economic impact payment?

Tax filers with adjusted gross income up to \$75,000 for individuals and up to \$150,000 for married couples filing joint returns will receive the full payment. For filers with

income above those amounts, the payment amount is reduced by \$5 for each \$100 above the \$75,000/\$150,000 thresholds. Single filers with income exceeding \$99,000 and \$198,000 for joint filers with no children are not eligible.

Eligible taxpayers who filed tax returns for either 2019 or 2018 will automatically receive an economic impact payment of up to \$1,200 for individuals or \$2,400 for married couples. Parents also receive \$500 for each qualifying child.

How will the IRS know where to send the payment?

The vast majority of people do not need to take any action. The IRS will calculate and automatically send the economic impact payment to those eligible.

For people who have already filed their 2019 tax returns, the IRS will use this information to calculate the payment amount. For those who have not yet filed their return for 2019, the IRS will use information from their 2018 tax filing to calculate the payment. The economic impact payment will be deposited directly into the same banking account reflected on the return filed.

The IRS does not have my direct deposit information.

What can I do? Go to <https://www.irs.gov/coronavirus/economic-impact-payments> to update your bank account or mailing address.

I am not typically required to file a tax return. Can I still receive my payment?

Yes. The IRS has now announced that Social Security recipients do not need to file a tax return to receive their payment. The IRS will use the information on the Form SSA-1099 and Form RRB-1099 to generate \$1,200 Economic Impact Payments to Social Security recipients who did not file tax returns in 2018 or 2019. Recipients will receive these payments

as a direct deposit or by paper check, just as they would normally receive their benefits.

How can I file the tax return needed to receive my economic impact payment? IRS.gov/coronavirus will soon provide information instructing people in these groups on how to file a 2019 tax return with simple, but necessary, information including their filing status, number of dependents and direct deposit bank account information.

I have not filed my tax return for 2018 or 2019. Can I still receive an economic impact payment? Yes. The IRS urges anyone with a tax filing obligation who has not yet filed a tax return for 2018 or 2019 to file as soon as they can to receive an economic impact payment. Taxpayers should include direct deposit banking information on the return.

I need to file a tax return. How long are the economic impact payments available? For those concerned about visiting a tax professional or local community organization in person to get help with a tax return, these economic impact payments will be available throughout the rest of 2020.



Social Security Recipients Will Automatically Receive Economic Impact Payments

Cross References

- <https://home.treasury.gov/news/press-releases/sm967>

The U.S. Department of the Treasury and the Internal Revenue Service has announced that Social Security beneficiaries who are not typically required to file tax returns will not need to file an abbreviated tax return to receive an Economic Impact Payment. Instead, payments will be automatically deposited into their bank accounts.

“Social Security recipients who are not typically required to file a tax return do not need to take any action, and will receive their payment directly to their bank account,” said Secretary Steven T. Mnuchin.

The IRS will use the information on the Form SSA-1099 and Form RRB-1099 to generate \$1,200 Economic Impact Payments to Social Security recipients who did not file tax returns in 2018 or 2019. Recipients will receive these payments as a direct deposit or by paper check, just as they would normally receive their benefits.



Website Available for Non-Filers to Enter Direct Deposit Information

Cross References

- <https://www.irs.gov/coronavirus/non-filers-enter-payment-info-here>

The IRS now has a website for non-filers to enter direct deposit information to receive their Economic Impact Payment. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), eligible individuals are entitled to receive up to \$1,200 (\$2,400 for married couples). Parents are also eligible to receive \$500 for each qualifying child. The payment is phased-out for individuals with adjusted gross income over \$75,000 and \$150,000 for married couples filing joint returns.

The Economic Impact Payment is automatically sent to taxpayers, either through direct deposit using bank information from their 2018 or 2019 tax return, or by mail.

Non-filers who receive Social Security benefits or Railroad Retirement benefits will automatically receive their Economic Impact Payment based upon information from Form SSA-1099 and Form RRB-1099. These recipients will receive their payment as a direct deposit or by paper check just as they would normally receive their Social Security or Railroad Retirement benefits.

For individuals who do not file a tax return and do not receive Social Security or Railroad Retirement benefits, the IRS now has a website to enter their information. This website is available for U.S. citizens or permanent residents who:

- Had gross income that did not exceed \$12,200 (\$24,400 for married couples) for 2019, and
- Are not otherwise required to file a federal income tax return for 2019, and do not plan to do so.

The IRS will use information entered to determine eligibility and payment amount. The following information must be entered in order to receive the Economic Impact Payment:

- Full name, current mailing address and an email address,
- Date of birth and valid Social Security Number,
- Bank account number, type and routing number, if the individual has one,
- Identity Protection Personal Identification Number (IP PIN), if the individual has one,
- Driver’s license or state-issued ID, if the individual has one, and
- For each qualifying child: their name, Social Security Number or Adoption Taxpayer Identification Number and their relationship to the individual or spouse.

Use the following link to enter the above information:
<https://www.irs.gov/coronavirus/non-filers-enter-payment-info-here>

If a non-filer does not receive Social Security or Railroad Retirement benefits, and does not use the IRS website to enter his or her information, the non-filer must file a 2019 tax return to receive the Economic Impact Payment.



CARES Act Summary From Senate Committee on Finance

Cross References

- HR 748
- www.finance.senate.gov

The President signed into law the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) on March 27, 2020. The following is a summary of the new law by the Senate Committee on Finance. Additional details will be posted as additional guidance becomes available.

Division A – Keeping Workers Paid And Employed, Health Care System Enhancements, and Economic Stabilization

Title II—Assistance For American Workers, Families, and Businesses

Subtitle A—Unemployment Insurance Provisions

Section 2101. Short Title. This title is called the Relief for Workers Affected by Coronavirus Act

Section 2102. Pandemic Unemployment Assistance. This section creates a temporary Pandemic Unemployment Assistance program through December 31, 2020 to provide payment to those not traditionally eligible for unemployment benefits (self-employed, independent contractors, those with limited work history, and others) who are unable to work as a direct result of the coronavirus public health emergency.

Section 2103. Emergency Unemployment Relief for Governmental Entities and Nonprofit Organizations. This section provides payment to states to reimburse nonprofits, government agencies, and Indian tribes for half of the costs they incur through December 31, 2020 to pay unemployment benefits.

Section 2104. Emergency Increase in Unemployment Compensation Benefits. This section provides an additional \$600 per week payment to each recipient of unemployment insurance or Pandemic Unemployment Assistance for up to four months.

Section 2105. Temporary Full Federal Funding of the First Week of Compensable Regular Unemployment for States with No Waiting Week. This section provides funding to pay the cost of the first week of unemployment benefits through December 31, 2020 for states that choose to pay recipients as soon as they become unemployed instead of waiting one week before the individual is eligible to receive benefits.

Section 2106. Emergency State Staffing Flexibility. This section provides states with temporary, limited flexibility to hire temporary staff, re-hire former staff, or take other steps to quickly process unemployment claims.

Section 2107. Pandemic Emergency Unemployment Compensation. This section provides an additional 13 weeks of unemployment benefits through December 31, 2020 to help those who remain unemployed after weeks of state unemployment benefits are no longer available.

Section 2108. Temporary Financing of Short-Time Compensation Payments in States with Programs in Law. This section provides funding to support “short-time compensation” programs, where employers reduce employee hours instead of laying off workers and the employees with reduced hours receive a pro-rated unemployment benefit. This provision would pay 100% of the costs they incur in providing this short-time compensation through December 31, 2020.

Section 2109. Temporary Financing of Short-Time Compensation Agreements. This section provides funding to support states which begin “short-time compensation” programs. This provision would pay 50% of the costs that a state incurs in providing short-time compensation through December 31, 2020.

Section 2110. Grants for Short-Time Compensation Programs. This section provides \$100 million in grants to states that enact “short-time compensation” programs to help them implement and administer these programs.

Section 2111. Assistance and Guidance in Implementing Programs. This section requires the Department of Labor to disseminate model legislative language for states, provide technical assistance, and establish reporting requirements related to “short-time compensation” programs.

Section 2112. Waiver of the 7-day Waiting Period for Benefits under the Railroad Unemployment Insurance Act. This section temporarily eliminates the 7-day waiting period for railroad unemployment insurance benefits through December 31, 2020 (to make this program consistent with the change made in unemployment benefits for states through the same period in an earlier section of this subtitle).

Section 2113. Enhanced Benefits under the Railroad Unemployment Insurance Act. This section provides an additional \$600 per week payment to each recipient of railroad unemployment insurance or Pandemic Unemployment Assistance for up to four months (to make this program consistent with the change made in unemployment benefits for states in an earlier section of this subtitle).

Section 2114. Extended Unemployment under the Railroad Unemployment Insurance Act. This section provides an additional 13 weeks of unemployment benefits through December 31, 2020 to help those who remain unemployed after weeks of regular unemployment benefits are no longer available (to make this program consistent with the change made in unemployment benefits for states in an earlier section of this subtitle).

Section 2115. Funding for the Department of Labor Office of Inspector General for Oversight of Unemployment Provisions. This section provides the Department of Labor's Inspector General with \$25 million to carry out audits, investigations, and other oversight of the provisions of this subtitle.

Section 2116. Implementation. This section gives the Secretary of Labor the ability to issue operating instructions or other guidance as necessary in order to implement this subtitle, as well as allows the Department of Labor to waive Paperwork Reduction Act requirements, speeding up their ability to gather necessary information from states.

Subtitle B – Rebates and Other Individual Provisions

Section 2201. 2020 recovery rebates for individuals. All U.S. residents with adjusted gross income up to \$75,000 (\$150,000 married), who are not a dependent of another taxpayer and have a work eligible Social Security Number, are eligible for the full \$1,200 (\$2,400 married) rebate. In addition, they are eligible for an additional \$500 per child. This is true even for those who have no income, as well as those whose income comes entirely from nontaxable means-tested benefit programs, such as SSI benefits.

For the vast majority of Americans, no action on their part will be required in order to receive a rebate check as IRS will use a taxpayer's 2019 tax return if filed, or in the alternative their 2018 return. This includes many low-income individuals who file a tax return in order to take advantage of the refundable Earned Income Tax Credit and Child Tax Credit. The rebate amount is reduced by \$5 for each \$100 that a taxpayer's income exceeds the phase-out threshold. The amount is completely phased-out for single filers with incomes exceeding \$99,000, \$146,500 for head of household filers with one child, and \$198,000 for joint filers with no children.

Section 2202. Special rules for use of retirement funds. Consistent with previous disaster-related relief, the provision waives the 10% early withdrawal penalty for distributions up to \$100,000 from qualified retirement accounts for coronavirus-related purposes made on or after January 1, 2020. In addition, income attributable to such distributions would be subject to tax over three years, and the taxpayer may recontribute the funds to an eligible retirement plan within three years without regard to that year's cap on contributions. Further, the provision provides flexibility for loans from certain retirement plans for coronavirus-related relief.

A coronavirus-related distribution is a one made to an individual: (1) who is diagnosed with COVID-19, (2) whose spouse or dependent is diagnosed with COVID-19, or (3) who experiences adverse financial consequences as a result of being quarantined, furloughed, laid off, having work hours reduced, being unable to work due to lack of child care due to COVID-19, closing or reducing hours of a business owned or operated by the individual due to COVID-19, or other factors as determined by the Treasury Secretary.

Section 2203. Temporary waiver of required minimum distribution rules for certain retirement plans and accounts. The provision waives the required minimum distribution rules for certain defined contribution plans and IRAs for calendar year 2020. This provision provides relief to individuals who would otherwise be required to withdraw funds from such retirement accounts during the economic slowdown due to COVID-19.

Section 2204. Allowance of partial above the line deduction for charitable contributions. The provision encourages Americans to contribute to churches and charitable organizations in 2020 by permitting them to deduct up to \$300 of cash contributions, whether they itemize their deductions or not.

Section 2205. Modification of limitations on charitable contributions during 2020. The provision increases the limitations on deductions for charitable contributions by individuals who itemize, as well as corporations. For individuals, the 50% of adjusted gross income limitation is suspended for 2020. For corporations, the 10% limitation is increased to 25% of taxable income. This provision also increases the limitation on deductions for contributions of food inventory from 15% to 25%.

Section 2206. Exclusion for certain employer payments of student loans. The provision enables employers to provide a student loan repayment benefit to employees on a tax-free basis. Under the provision, an employer may contribute up to \$5,250 annually toward an employee's student loans, and such payment would be excluded from the employee's income. The \$5,250 cap applies to both the new student loan repayment benefit

as well as other educational assistance (e.g., tuition, fees, books) provided by the employer under current law. The provision applies to any student loan payments made by an employer on behalf of an employee after date of enactment and before January 1, 2021.

Subtitle C – Business Provisions

Section 2301. Employee retention credit for employers subject to closure due to COVID-19. The provision provides a refundable payroll tax credit for 50% of wages paid by employers to employees during the COVID-19 crisis. The credit is available to employers whose (1) operations were fully or partially suspended, due to a COVID-19-related shut-down order, or (2) gross receipts declined by more than 50% when compared to the same quarter in the prior year.

The credit is based on qualified wages paid to the employee. For employers with greater than 100 full-time employees, qualified wages are wages paid to employees when they are not providing services due to the COVID-19-related circumstances described above. For eligible employers with 100 or fewer full-time employees, all employee wages qualify for the credit, whether the employer is open for business or subject to a shut-down order. The credit is provided for the first \$10,000 of compensation, including health benefits, paid to an eligible employee. The credit is provided for wages paid or incurred from March 13, 2020 through December 31, 2020.

Section 2302. Delay of payment of employer payroll taxes. The provision allows employers and self-employed individuals to defer payment of the employer share of the Social Security tax they otherwise are responsible for paying to the federal government with respect to their employees. Employers generally are responsible for paying a 6.2% Social Security tax on employee wages. The provision requires that the deferred employment tax be paid over the following two years, with half of the amount required to be paid by December 31, 2021 and the other half by December 31, 2022. The Social Security Trust Funds will be held harmless under this provision.

Section 2303. Modifications for net operating losses. The provision relaxes the limitations on a company's use of losses. Net operating losses (NOL) are currently subject to a taxable-income limitation, and they cannot be carried back to reduce income in a prior tax year. The provision provides that an NOL arising in a tax year beginning in 2018, 2019, or 2020 can be carried back five years. The provision also temporarily removes the taxable income limitation to allow an NOL to fully offset income. These changes will allow companies to utilize losses and amend prior year returns, which will provide critical cash flow and liquidity during the COVID-19 emergency.

Section 2304. Modification of limitation on losses for taxpayers other than corporations. The provision modifies the loss limitation applicable to pass-through businesses and sole proprietors, so they can utilize excess business losses and access critical cash flow to maintain operations and payroll for their employees.

Section 2305. Modification of credit for prior year minimum tax liability of corporations. The corporate alternative minimum tax (AMT) was repealed as part of the Tax Cuts and Jobs Act, but corporate AMT credits were made available as refundable credits over several years, ending in 2021. The provision accelerates the ability of companies to recover those AMT credits, permitting companies to claim a refund now and obtain additional cash flow during the COVID-19 emergency.

Section 2306. Modification of limitation on business interest. The provision temporarily increases the amount of interest expense businesses are allowed to deduct on their tax returns, by increasing the 30% limitation to 50% of taxable income (with adjustments) for 2019 and 2020. As businesses look to weather the storm of the current crisis, this provision will allow them to increase liquidity with a reduced cost of capital, so that they are able to continue operations and keep employees on payroll.

Section 2307. Technical amendment regarding qualified improvement property. The provision enables businesses, especially in the hospitality industry, to write off immediately costs associated with improving facilities instead of having to depreciate those improvements over the 39-year life of the building. The provision, which corrects an error in the Tax Cuts and Jobs Act, not only increases companies' access to cash flow by allowing them to amend a prior year return, but also incentivizes them to continue to invest in improvements as the country recovers from the COVID-19 emergency.

Section 2308. Temporary exception from excise tax for alcohol used to produce hand sanitizer. The provision waives the federal excise tax on any distilled spirits used for or contained in hand sanitizer that is produced and distributed in a manner consistent with guidance issued by the Food and Drug Administration and is effective for calendar year 2020.

