

For Individuals

2020 Recovery Rebates for Individuals

- Provides a \$1,200 refundable tax credit for individuals (\$2,400 for taxpayers filing jointly) plus \$500 for each child.
- The rebate phases out between \$75,000 and \$99,000 of AGI (\$150,000 - \$198,000 married filing jointly).
- The rebates are not taxable income.

Temporary Penalty-Free Early Distributions from Retirement Funds

- The usual 10% withdrawal penalty on QRP distributions taken prior to age 59 ½ is waived for “coronavirus-related” distributions made prior to Dec. 31, 2020.
- A coronavirus-related distribution is one made to someone:
 - Who is diagnosed with SARS-CoV-2 or COVID-19
 - Whose spouse is so diagnosed
 - Who experiences adverse financial consequences as a result of being quarantined or losing the ability to work
- Maximum distribution is \$100,000.
- Distributions are not subject to mandatory withholding.
- A coronavirus-related distribution may be included in income over a three-year period.
- Additionally, a coronavirus-related distribution may be re-contributed over a three-year period to any QRP plan of the participant.

Temporary Increase in Limit on QRP Loan Amount

- Normally, retirement plan participant loans are limited to the lesser of \$50,000 or 50% of the participant’s vested account balance.
- For 180 days following enactment (i.e. until Sep. 23, 2020), the limitation is increased to the lesser of \$100,000 or 100% of the vested balance.
- For plan participants with outstanding QRP loans, any payments due through Dec. 31, 2020, can be deferred for one year.
- Plan sponsors are permitted to immediately amend plans to permit making coronavirus distributions and plan loans.

Temporary Waiver of Required Minimum Distributions

- Required minimum distribution rules do not apply for calendar year 2020.
- Normally, defined contribution plan participants and IRA owners who have met the applicable age threshold are required to take required minimum distribution each calendar year, with the distribution amount determined by the plan's account balance as of Dec. 31 of the prior year.
- Given that most plans have balances significantly lower than the Dec. 31, 2019, balance, this provision could allow plan participants to avoid "selling into a loss" – at least for 2020.

Partial Above the Line Charitable Deduction

- Taxpayers that do not itemize may deduct up to \$300 in cash contributions made to qualifying charitable organizations.
- Contributions to supporting organizations and donor-advised funds are not eligible.
- Applies to tax years beginning after Dec. 31, 2019.

Temporary increase in Charitable Contribution Deduction Limit for calendar year 2020

- For tax year 2020, the individual taxpayer's charitable contribution deduction limit is raised from 60% to 100% of AGI.
- Contributions in excess of the 100% limitation may be carried over for five years.
- Contributions must be comprised of cash.

Temporary Increase in Unemployment Compensation Benefits

- "Regular" unemployment compensation is increased by \$600 per week, and the benefit period is extended by 13 weeks to 39 weeks.
- The normal one-week waiting period for commencing unemployment benefits is waived.
- Eligibility is expanded to include any individual who would not normally qualify for unemployment compensation under state law but who is unable to work because of COVID-19:
 - The individual has COVID-19, a member of the household has COVID-19, or the individual's child is unable to attend school or child care due to COVID-19

- The individual is unable to reach the place of employment or start a new job because of a quarantine being imposed or being advised to self-quarantine
- The individual has become the breadwinner for a household because the head of the household has died of COVID-19

For Business Owners

Paycheck Protection Program – through June 30, 2020

- Temporarily provides greatly increased eligibility for SBA loans.
- Eligible businesses can borrow money for a variety of qualified costs including those related to employee compensation and benefits, mortgage interest, rent and utilities.
- Maximum loan amount is 2.5 times the average monthly payroll costs, up to \$10 million. Maximum loan term is 10 years. Maximum loan rate is 4%. Origination fees are waived.
- Loans are fully guaranteed by the Federal Government.
- A portion of loan principal may be forgiven equal to spending over eight weeks on payroll for employees earning less than \$100,000, mortgage interest, rent and utilities. The amount of forgiven debt will not be taxable income to the borrower.
- Employers that rehire previously laid-off employees can include the payroll of the rehired employees in calculating the loan forgiveness eligibility.
- Debt service payments may be deferred up to one year.

Emergency Economic Injury Disaster Loans (“EIDLs”) – through Dec. 31, 2020

- Temporarily provides greatly increased EIDL eligibility.
- Applicants may request a \$10,000 advance within three days of application; the advance does not need to be repaid even if the loan is ultimately denied.
- Waives:
 - Personal guarantees on loans up to \$200,000
 - Requirement of being in business for at least one year
 - The credit elsewhere test

Employee Retention Credit – March 12, 2020, through Dec. 31, 2020

- Each calendar quarter, eligible employers are allowed a credit against employment taxes equal to 50% of qualified employee wages.
 - For employers with more than 100 employees, qualified wages include only those paid to employees who are not providing services due to the circumstances.
 - For employers with 100 or fewer employees, qualified wages are those paid to any employee, whether or not services are provided.
- Maximum credit attributable to any employee is \$5,000.
- The credit may only be claimed against the employer's 6.2% share of employment taxes.
- If the credit exceeds the employer's share of Social Security taxes, the excess will be refunded.
- Eligible employers are those who have had business fully or partially suspended due to government orders to stay at home or those who have had a greater than 50% reduction in quarterly receipts compared to the prior year.

Temporary Increase in Charitable Contribution Deduction Limit

- For tax year 2020, the corporate taxpayer's charitable contribution deduction limit is raised from 10% to 25% of taxable income.
- Contributions in excess of the 25% limitation may be carried over for five years.
- Contributions must be comprised of cash or food inventory.

Employer-Side Social Security Payroll Tax Delay

- Employers can defer remittance of their 6.2% share of Social Security tax for 2020 over two years.
 - 50% of their Social Security tax liability on wages paid in 2020 can be deferred until Dec. 31, 2021.
 - The other 50% of tax liability can be deferred until Dec. 31, 2022.
- A self-employed individual can likewise defer half of their 2020 self-employment taxes over the same period.
- The employer's share of Medicare tax is not affected and must be remitted. Likewise, the employee's share of Social Security taxes and the employee's income tax withholding are not affected and must be remitted.

Net Operating Losses for Corporations

- A corporation that incurred a net operating loss (NOL) in 2018 or 2019, or which incurs an NOL in 2020, is permitted to carryback the NOL to the prior five years to offset prior year income.
- The 80% income limitation for NOL deductions for years beginning before 2021 is temporarily repealed.
- As a result, a corporation will be eligible to claim a tax refund of previously paid federal income taxes.
 - Corporations having an NOL from prior years may be able to secure a relatively quick refund by filing an amended return as appropriate.
 - Corporations expecting a 2020 NOL should review whether its estimated tax payments should be adjusted and should prepare to file a refund claim promptly after closing the 2020 tax year.

Temporary Increase of Interest Expense Limitation for Corporations

- The maximum amount of interest expense a corporation may deduct is increased from 30% to 50% of adjusted taxable income. (Excess interest expense can be carried forward.)
- A corporation may elect to use its 2019 income for determining its 2020 interest expense limitation since many businesses will have little or no taxable income in 2020.
- Combined with the favorable NOL provisions, a corporation can take an interest deduction in 2020 that would generate a (larger) taxable loss that could then be carried back to recover taxes paid in the previous five years.

Excess Loss Limitations Repealed

- The 2017 Tax Cuts and Jobs Act added a new provision to the Internal Revenue Code limiting excess business losses of non-corporate taxpayers (including owners of S corporations and LLCs) to \$250,000 (\$500,000 for married taxpayers filing jointly).
- That provision has been repealed.

So, what's it all mean? That's a good question. The short answer is that there are different implications for different situations. But you don't have to navigate it alone. We're here to help. Reach out to your Ash team with questions and concerns and we'll help you work through them