

Things related to the Coronavirus are moving very, very quickly and trying to keep up with changes in business during this challenging time is difficult. Advice we are giving today could change considerably in the next few days or even hours. We are sending information as we receive it to try and keep you informed and answer questions we are hearing to help you as you make difficult decisions during this unprecedented time.

What DO we know as of today:

Business operations

- A few states (CA, NV, PA, parts of NY and probably others) have ordered shut downs of all businesses other than essential businesses. Each state interprets what is considered an “essential” business differently. In some states accounting lawyers, doctors, dealerships, auto repair, medical, etc. are considered essential and are allowed to remain open. In others only parts of a business operation are considered essential but other parts are not. Decisions for businesses will be different depending on how their state chooses to act.
- Whether a business should remain open even if they are allowed is a matter each business will need to answer for themselves based on what they believe is best for their customers, their employees, and themselves. The obvious reason states are requiring closure is to help slow the spread of the virus and by limiting points of contact to pick up the virus, hopefully fewer people will get sick. However people also need essential services and some of those people are on the front lines of fighting the pandemic who must still get to work. These are not easy decisions and each will be carefully considered.

Tax issues

- The April 15 tax deadline has been moved to July 15 by the IRS. This applies to the filing of 2019 individual income tax returns, payment of balances due with those returns, and first quarter 2020 estimated tax payments. No interest or penalties will be assessed for waiting until July 15 to file. Extensions will still be available if more time is needed beyond July 15 but any tax expected to be due will need to be paid with the extension on July 15 unless the law is changed again. We do not know whether the extension deadline will be the normal October 15 date or possibly extended further even out to January 15, 2021 if the same six month extension that is usually granted is available. Clarification will be issued by the IRS later and we will let you know when it is.
- Some states (but not all) are following the IRS and changing filing deadlines to match the new IRS dates. Some of the states’ constitutions prevent the abatement of interest which would presumably begin on any balances due after April 15. North Carolina is following the federal change to waive penalties on balances due until July 15 but interest will be due after April 15. South Carolina has extended the filing deadline to June 1 with no penalties or interest due. Alabama is following the IRS due dates. Georgia, Florida and Tennessee have not issued guidance.

- Last week President Trump signed the Families First Coronavirus Response Act (FFCRA). The version of the bill the President signed is significantly different than the first version passed by the House of Representatives last week.
 - Part 1 addresses payments required to employees who must self isolate because they have a diagnosis of Covid19 or a self isolation recommendation because they may have been exposed to Covid 19. The employer must pay up to 10 days of leave at the employee's regular rate of pay up to a maximum of \$511 per day.
 - Part 2 applies to employees who are taking care of family member with Covid 19 or quarantined because of Covid 19, or are taking care of kids who are out of school or daycare because of closure related to the virus. Employers must pay 2/3 of the employee's regular rate of pay up to \$200 per day with a maximum of \$10,000 (50 days).
 - Certain small employers with less than 50 employees may request a waiver.
 - There are many other details in the new law and advice should be sought for any employees who may be subject to its provisions.
 - Employers are reimbursed for the cost of wages paid to employees due to the new law through reduction of payroll tax deposits for wages paid to employees. Guidance was issued by the IRS last Friday on how to claim credit for reimbursement against 941 tax due. We are preparing calculation examples on how to claim credit for wages paid to affected employees against 941 payroll deposits which we will post to our website and are available to send to employers. Generally the full amount of wages paid to an affected employee are subtracted from the next payroll tax deposit for all employees wages. If the credit exceeds the tax due, the IRS will refund within two weeks.
 - Additional guidance and regulations will be published by the IRS and Department of Labor in the coming weeks.

PENDING LEGISLATION – CARES ACT (Senate version – has not passed)

- As of this weekend the US Senate is still debating the CARES Act to provide economic assistance to individuals and businesses to help with the economic damage being created by the Coronavirus pandemic in the United States. The current version of the bill posted online shows direct payments to individuals with Adjusted Gross Income below \$75,000 of \$1,200 per person which will be phased out and AGI over \$100,000 will not receive a payment. A credit of \$500 per child is also being discussed such that a family of 4 with AGI under \$150,000 would receive \$3,400.
- Businesses with under 500 employees which are affected by Covid 19 would be able to apply for a loan from the Small Business Administration (SBA) under the 7a program which would presumably have minimal underwriting requirements and would work as follows if enacted as currently written:
 - The loan amount would be based upon the total of payroll, mortgage payments, rent payments, and loan payments on other debt obligations for the last 12 months divided by 4 with a maximum of \$10,000,000.
 - The loan proceeds would need to be used for:

- payroll including paid sick, medical or family leave, health insurance benefits, employee salaries,
 - mortgage payments, rent payments, and utilities,
 - any other debt obligations incurred before the loan date.
- Loan fees would be reduced or eliminated
- Some or all of the loan would be forgiven up to the total payroll costs plus payments of existing debt obligations during the period March 1, 2020 through June 30, 2020 reduced by.
 - Payroll for which a payroll tax credit is received under the FFCRA above,
 - Compensation paid to any employee during the period exceeding \$33,333 (\$100K annual salary)
 - The ratio of the average number of full-time equivalent (FTE) employees each pay period in March, April, May and June 2020 to the same periods in 2019.
 - Many other details
- Other tax provisions still being negotiated