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Newsletter July 2020

July Due Dates

July 15 - IRA Contributions for 2019

This is the last day to make IRA contributions for tax year 2019.

July 15 - Individuals

If you took advantage of the 3-month COVID-19 automatic extension provided by the IRS to file your income tax return for 2019, file Form 1040, or request an additional 3-month extension using Form 4868, and pay any tax due.

July 15 - Estimated Tax Payments – Individuals

The first and second installments of 2020 individual estimated taxes (Form 1040-ES) are due. Normally, these payments would have been due April 15 and June 15, respectively, but because of the COVID-19 emergency, the IRS extended the due dates to July 15.

July 15 - Corporations

If you took advantage of the 3-month COVID-19 automatic extension provided by the IRS to file your corporate income tax return for 2019, file Form 1120 or 1120S, or request an additional 3-month extension using Form 7004, and pay any tax due.

July 15 - Fiduciaries

If you took advantage of the 3-month COVID-19 automatic extension provided by the IRS to file your trust or estate income tax return for 2019, file Form 1041, or request an additional 2-1/2-month extension using Form 7004, and pay any tax due.

July 15 - Estimated Tax – Corporations

Corporate 2020 estimated tax payments that would normally have been due between April 1, 2020 and July 14, 2020 are payable on July 15, 2020.

July 31 - All Employers

If you maintain an employee benefit plan, such as a pension, profit-sharing, or stock bonus plan, file Form 5500 or 5500-EZ for calendar year 2019. If you use a fiscal year as your plan year, file the form by the last day of the seventh month after the plan year ends.

Congress Liberalizes PPP Loan Forgiveness

If you are the owner of a small business that was able to obtain a Paycheck Projection Program (PPP) Loan, you have probably already started worrying about how you are supposed to spend the loan proceeds to maximize loan forgiveness.

When these loans were first offered, the key word business owners heard was “forgiveness,” and that created a national stampede to apply for these loans. Most potential borrowers had little or no knowledge of how the loan proceeds were to be used to qualify for loan forgiveness. This, combined with the lack of initial guidance from the Treasury and Small Business Administration (SBA), added to the confusion.

The CARES Act, the legislation that created this loan program, specified that loan proceeds were to be used for business payroll, lease payments, mortgage interest, and utility payments. It also specified the loan funds were to be used during the eight-week “covered period” that commenced immediately after receiving the loan proceeds. That meant the forgiveness clock started ticking the day the loan proceeds were deposited in the employer’s bank account.

To add to the confusion, the SBA decided to limit uses other than payroll to 25% of the amount forgiven—a limitation not included in the CARES Act.

Because the CARES Act includes generous unemployment benefits that, in many cases, provide income in excess of what the employer was paying as wages, many employees are resisting returning to work. This makes it difficult for employers to maintain their pre-COVID payroll and head count, which are also requirements for forgiveness.

Seeing the confusion and consternation caused by the forgiveness issue, Congress has passed the Paycheck Protection Program Flexibility Act (PPPFA) of 2020, which makes substantial changes to the program:

- The covered period has been extended from 8 weeks to 24 weeks after the origination of the loan or December 31, 2020, whichever occurs first, giving employers substantially more time to comply with the forgiveness requirements and other terms of the loan. If the loan was received before the enactment of the PPPFA, the borrower may choose either the original 8-week period or the new 24-week/December 31, 2020 period.

- Loan maturity has been increased from 2 years to a minimum of 5 years, giving borrowers a longer amount of time to pay back the portion of the loan that is not forgiven. For loans finalized prior to the PPPFA, the lender and borrower can agree to change to the longer term.

- Congress has rebutted the administration’s attempt to limit the uses of the funds for other than payroll to no more than 25% of the forgiveness. The Act instead requires at least 60% of the loan proceeds to be used for payroll for full forgiveness and up to 40% can be used for business rent, mortgage interest (but not for pre-payment of the interest or for payment of principal) and utility payments.

- To alleviate employers’ rehiring problems, the Act provides an exemption for employers that are unable:

    - To rehire an employee who was working for the employer on February 15, 2020,
    - To hire similarly qualified employees on or before December 31, 2020, or
    - To return to the same level of business activity as such business was operating at before February 15, 2020, due to compliance with requirements established or guidance issued by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration during the period beginning on March 1, 2020, and ending December 31, 2020, related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID–19.

- The deferral of payments of the PPP loan principal, interest and fees that was originally

6 months to one year is changed by the Act to be until the date the loan forgiveness amount is remitted to the bank by the SBA.

- The original rules of the CARES Act prevented employers who received PPP loan forgiveness from being able to defer payment of payroll tax, another provision of the CARES Act. The PPPFA changes that rule to allow qualified employers to take advantage of deferring 2020 payroll tax payments even if they've received PPP loan forgiveness. The deferral allows 50% of the eligible payroll taxes to be deferred until December 31, 2021 and the balance to December 31, 2022. Taxes that can be deferred include the 6.2% employer portion of the Social Security (OASDI) payroll tax, and the employer and employee representative portion of Railroad Retirement taxes (that are attributable to the employer's 6.2% Social Security (OASDI) tax rate), effective for wages paid March 27, 2020 through December 31, 2020.

Since the PPPFA was passed, the SBA has revised the PPP loan forgiveness application and added an EZ application. Here are the links to the applications and instructions:

- **Forgiveness Application**
- **Forgiveness Application instructions**
- **EZ Forgiveness Application**
- **EZ Forgiveness Application instructions**

If you have questions about how these changes might apply to your situation or need assistance completing your forgiveness application, please give this office a call.

The IRS Is Issuing Some Stimulus Payments by Debit Card; Some Are Being Mistaken as Junk Mail and Thrown Out

If you are like most Americans, you receive tons of junk mail, which you tend to discard without ever reading. Well, if you haven't already received your stimulus payment from the feds, maybe you shouldn't be so quick to throw away those envelopes from unknown senders, at least until you have received your stimulus payment.

It seems the government has begun sending out its stimulus payments on debit cards mailed in plain white envelopes, which some people have discarded, thinking it was junk mail.

The Treasury has decided to send the 4 million or so individuals still waiting for their stimulus payments a Visa debit card, issued by a financial institution that the general public is generally not familiar with, in a plain envelope from Money Network Cardholder Services, also a name few will recognize. After years of counseling by the IRS and others, people have become very diligent in watching out for scams and false advertising, and mail from an unknown source in a plain envelope appears to be just another advertisement for a credit card or, even worse, a scam. As a result, many people discarded the envelope, not realizing that it contained their stimulus payment.

The taxpayers who would receive a debit card were determined by the Bureau of the Fiscal Service, a part of the Treasury Department that works with the IRS to handle distribution of the payments.

The IRS website does caution that some payments will be issued on a prepaid debit card mailed in a plain envelope from Money Network Cardholder Services. The Visa name will appear on the front of the card; the back of the card has the name of the issuing bank, MetaBank®,
N.A. Information included with the card will explain that the card is the recipient's Economic Impact Payment Card. The IRS asks the individuals to whom the cards were sent to go to

EIPcard.com for more information.

Bottom line: if you are still waiting for your stimulus payment, be careful not to throw it in the trash.

Thank you for selecting our firm for your tax and accounting needs. We appreciate the confidence you have shown in us, and we remain ready to assist you at any time.

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