



SUMMARY OF COVID-19 CASH FLOW & TAX RELIEF OPTIONS

Provision	Eligible Taxpayers	Amounts Available	Recommended Action	Timing of Cash
<p>Payroll Tax Credit for Paid Sick Leave</p> <p>Families First Coronavirus Response Act (FFCRA)</p> <p>Required paid leave: Section 5102</p> <p>Tax credit: Section 7001</p>	<ul style="list-style-type: none"> Fewer than 500 employees Employee is unable to work (or telework) due to: <ol style="list-style-type: none"> Federal, state or local quarantine order Health care provider has advised the employee to self-quarantine because of COVID-19 Employee is experiencing symptoms of COVID-19 & is seeking medical diagnosis Employee is a caregiver for an individual (not limited to a family member) subject to quarantine order or who has been advised to self-quarantine by a health care provider; Employee must care for the employee's child whose school or day care has been closed or if the child care provider is unavailable due to COVID-19; or Employee has other substantially similar condition as (yet to be) specified by U.S. Secretary of Health & Human Services 	<p>Varies.</p> <p>For employees taking up to 80 hours of leave under #1–3 (under “Eligible Taxpayers”), tax credit is limited to up to \$511 per day and aggregate \$5,110 per employee.</p> <p>For employees taking up to 80 hours of leave under #4–6, tax credit is limited to $\frac{2}{3}$ of an employee's regular wages up to \$200/day or aggregate \$2,000 per employee.</p> <p>Employers also are refunded the employer's portion of Medicare tax and allocable qualified health plan expenses on the wages paid under this provision.</p> <p>Refundable credit.</p>	<p>Consult with a payroll tax service provider.</p> <p>Determine if employer is subject to the FFCRA paid leave provisions—may require consulting with a labor attorney.</p> <p>If eligible, determine how to code and track leave taken by employees under the FFCR.</p>	<p>Immediate – Eligible employers are able to retain withheld federal income taxes, the employee share of SS and Medicare taxes, and the employer share of SS and Medicare taxes with respect to all employees in order to have cash on hand to pay the paid leave mandated by the FFCRA.</p> <p>If there are insufficient payroll taxes to cover the cost of qualified sick and child care leave paid, an employer may file Form 7200 (Form, Form Instructions) to request an advance on this payroll credit. The IRS expects to process these requests in two weeks or less.</p>

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Payroll Tax Credit for Expanded FMLA Leave FFCRA: Required paid leave: Section 3102 Tax credit: Section 7003	<ul style="list-style-type: none"> Fewer than 500 employees Employee is unable to work (or telework) due to a minor child's school or daycare being closed due to COVID-19 	Varies. Up to 10 weeks at 2/3 regular rate up to \$200/day and aggregate \$10,000 per employee. First two (of 12 total) weeks are unpaid unless covered by another paid leave provision. Employers also are refunded the employer's portion of Medicare tax and allocable qualified health plan expenses on the wages paid under this provision. Refundable credit.		
Deferral of Payroll Taxes CARES Act Section 2302	All taxpayers Note: Employers cannot defer payroll taxes if they have a loan forgiven under the SBA Paycheck Protection Program.	Varies – up to employer's portion of social security taxes each quarter.	Consult with a payroll tax service provider and tax advisor.	Immediate – defer paying through December 31, 2020. 50% of deferred taxes will be due December 31, 2021, with remaining 50% due December 31, 2022.
Deferral of Federal Income Tax Filing & Payments	All federal income tax filers All federal gift tax or generation skipping transfer tax filers	Amount of 2020 income tax due 4/15/2020 (Notice 2020-18) Amount of 2020 gift tax or generation-skipping transfer tax due 4/15/2020 (Notice 2020-20)	Review 2019 and 2020 tax projections in light of law changes to determine whether deferral is advantageous.	Cash payments due April 15 for 2019 tax liability and first quarter 2020 estimated taxes are deferred to July 15.

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Employee Retention Credit CARES Act: Section 2301	<p>For wages paid after March 12, 2020, and before January 1, 2021, eligible employers (including tax-exempt organizations) are allowed a 50% refundable payroll tax credit on qualified wages paid. To qualify, an employer must carry on a trade or business during calendar-year 2020, and the operation of that trade or business is either:</p> <ol style="list-style-type: none"> 1. Fully or partially suspended due to orders from an appropriate governmental authority limiting commerce, travel or group meetings due to COVID-19; or 2. Receiving gross receipts, for at least one calendar quarter, that are less than 50% of gross receipts received during the same calendar quarter(s) in prior year. This period of significant decline in gross receipts is recognized until gross receipts for a calendar quarter are greater than 80% of gross receipts for the same calendar quarter in prior year. <p>The employee retention credit is not available to an employer participating in the SBA Paycheck Protection Program.</p>	<p>For each eligible quarter, a refundable 50% tax credit, offsetting the employer's 6.2% share of social security taxes, on up to \$10,000 of qualified wages* paid from March 13, 2020, through December 31, 2020 (maximum credit of \$5,000 per employee per year).</p> <p>*qualified wages include wages paid plus qualified health plan expenses allocable to those wages:</p> <ul style="list-style-type: none"> • for employers with <u>100 or fewer</u> full-time employees, the credit applies to all wages, whether business is fully or partially suspended • for employers with <u>more than 100 full-time employees</u>, credit applies to wages paid to employees who are not providing services to employer due to COVID-19 <p>Wages considered in Work Opportunity Tax Credits or the Employer Credit for Paid Family and Medical Leave Sec. 45S or the expanded FMLA or paid sick provisions under the FFCRA.</p>	<p>Consult with a payroll tax service provider and tax advisor.</p>	<p>Immediate cash benefits if the employee retention credit exceeds payroll tax liabilities (through Form 7200).</p> <p>Cash payments for employer share of Social Security tax from March 27, 2020, through December 31, 2020, are deferred.</p> <p>50% of the deferred payroll taxes are due by December 31, 2021, and the remaining half is due by December 31, 2022.</p>

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SBA Paycheck Protection Program (PPP) CARES ACT Section 1102	<p>All businesses with 500 or fewer employees including nonprofits, veteran's organizations, tribal businesses, sole proprietorships and self-employed individuals.</p> <p>Businesses with more than 500 employees are eligible if they meet applicable SBA industry employee-based size standards.</p> <p>Businesses with more than one physical location with no more than 500 employees per one location if they are below the annual gross receipts threshold in certain industries.</p> <p>Affiliation rules are waived for businesses in the hospitality and restaurant industries, franchises approved by SBA Franchise Directory, or those that receive financing through the SBA program.</p> <p>Note: Employee retention credit and deferral of payroll taxes to 2021 and 2022 isn't available to an employer participating in the Paycheck Protection Program.</p>	<p>Maximum amount of loan received is lesser of:</p> <ul style="list-style-type: none"> \$10 million or 2.5 times the average total monthly payroll cost* of the prior 12 months <p>*payroll cost includes salary, wages, commissions, or tips (capped at \$100,000 for each employee); employee benefits (vacation, medical, retirement); severance pay; state and local taxes assessed; payroll cost excluding payroll taxes; and compensation to individuals with primary residence outside the U.S.</p>	<p>Consult an SBA lender to determine if you qualify and to apply for the SBA Protection Program.</p> <p>Consult tax advisor to assist in analysis of PPP option compared to the employee retention credit and payroll tax deferral benefits.</p>	<p>Express loans (up to \$1 million) generally are approved or rejected within 36 hours.</p> <p>Other SBA loans may take a few weeks to process.</p> <p>Payments for the loan are deferred for 6-months but interest, at a fixed .50% rate, will accrue during the deferral period.</p>
SBA Loan Forgiveness CARES Act Section 1105		<p>Amounts forgiven may not exceed the principal amount of the loan. Loan proceeds used for certain specified expenditures such as payroll costs, and interest on mortgage obligations, rent agreements and/or utilities during the 8-week period (starting on date the loan originated), are eligible for forgiveness.</p> <p>Loan proceeds received and used for specified expenditures will be forgiven and the debt forgiveness is excluded from federal taxable income. It is anticipated that no more than 25% of the forgiven amount may be used on non-payroll costs.</p> <p>The forgiveness amount may be reduced due to a decrease in full-time staff headcount or a 25% decrease in salaries and wages for any employee who made less than \$100,000 in 2019 (unless restored by June 30, 2020).</p>	<p>Consult an SBA lender to determine if you qualify and to apply for SBA loan forgiveness.</p> <p>Consult tax advisor to assist in analysis of PPP option compared to the employee retention credit and payroll tax deferral benefits.</p> <p>Review the interim SBA guidance here.</p>	<p>Upon a lender's report of an expected loan forgiveness amount for a loan or pool of loans, the SBA will purchase such amount of the loan from the lender.</p> <p>Canceled indebtedness resulting from this section will not be included in the borrower's taxable income.</p> <p>Any loan amounts not forgiven at the end of one year is carried forward as an ongoing loan with terms of 2 years at 1.0% interest.</p>

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SBA Economic Injury Disaster Loans	<p>Small businesses or private nonprofit organizations that sustained economic injury and are located in a disaster declared county or contiguous county.</p> <p>Credit Requirements:</p> <ul style="list-style-type: none"> • Credit History – Applicants must have a credit history acceptable to SBA. • Repayment – Applicants must show the ability to repay the loan. • Collateral – Collateral is required for all EIDL loans over \$25,000. SBA takes real estate as collateral when it is available. SBA will not decline a loan for lack of collateral, but SBA will require the borrower to pledge collateral that is available. <p>Note: Businesses can receive an EIDL and a Paycheck Protection loan as long as they are used for different costs. For example, a business can receive an EIDL for working capital and a Paycheck Protection loan for payroll assistance.</p>	<p>Working capital loans to help small businesses, small agricultural cooperatives, small businesses engaged in aquaculture and most private, nonprofit organizations of all sizes meet their ordinary and necessary financial obligations that cannot be met as a direct result of a disaster.</p> <p>The law limits EIDLs to \$2,000,000 for alleviating economic injury caused by the disaster. The actual amount of each loan is limited to the economic injury determined by SBA, less business interruption insurance and other recoveries up to the administrative lending limit.</p> <p>SBA also considers potential contributions that are available from the business and/or its owner(s) or affiliates. If a business is a major source of employment, SBA has the authority to waive the \$2,000,000 statutory limit.</p> <p>The interest rate is determined by formulas set by law and is fixed for the life of the loan. The maximum interest rate for this disaster is 3.75% (2.75% for nonprofits).</p>	<p>Consult an SBA lender to determine if you qualify.</p> <p>Applicants may apply online, receive additional disaster assistance information and download applications at https://disasterloan.sba.gov/ela.</p> <p>Consider emergency grant option, which provides up to \$10,000 from SBA for business to cover expenses. The grant is not required to be paid back even if not approved for EIDL. To apply, visit https://covid19relief.sba.gov/#/</p> <p>Applicants may also call SBA's Customer Service Center at (800) 659-2955 or email disastercustomerservice@sba.gov for more information on SBA disaster assistance.</p>	<p>Varies. Consult an SBA lender for more information.</p> <p>The \$10,000 grants will be made available within three days of a successful application.</p>

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NOL Carryback CARES Act Section 2303	Taxpayers with NOL carryforwards generated in tax years beginning 2018, 2019 and/or 2020.	<p>NOLs can temporarily fully offset income (80% limitation suspended for 2018 through 2020 tax years).</p> <p>NOLs generated in tax years beginning after December 31, 2017, and before January 1, 2021, <i>i.e.</i>, 2018 through 2020, may be carried back up to five tax years, resulting in cash tax refunds.</p> <p>NOLs carried back to pre-2018 years will offset taxable income at the higher 35% rate (versus the 21% effective rate under the TCJA), making such NOLs even more valuable from a cash tax perspective.</p>	<p><u>Review 2018 tax return</u></p> <p>Recalculate taxable income taking into account changes under the CARES Act to determine if an NOL was created or increased.</p> <p><u>Review 2019 tax return (if filed) or 2019 tax projections</u></p> <p>Recalculate taxable income taking into account changes under the CARES Act to determine if an NOL was created or increased.</p> <p>Consider accelerating timeline for filing 2019 tax return. Consider changing tax accounting methods or claiming bonus depreciation to reduce taxable income or increase an NOL.</p> <p><u>Review 2020 tax projections</u></p> <p>Consider accelerating expenses or deferring revenue through changing tax accounting methods, transfer pricing, bonus depreciation, etc.</p> <p><u>Analyze the effect of carrying back NOLs, and file amended returns or quick refund claims for cash tax refunds</u></p> <p>Special rules apply if the company was subject to the toll-charge.</p>	<p>NOLs can be carried back by filing amended returns or quick refund claims (Form 1139).</p> <p>Quick refund claim funds may be available within 90-days of filing.</p>

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Section 139 Disaster Relief Payments Robert T Stafford Disaster Relief and Emergency Assistance Act	All employers wishing to provide tax free qualified disaster relief payments to employees impacted by the COVID-19 disaster.	Reasonable and necessary qualified disaster relief payments not otherwise compensated by insurance include: Medical expenses dependent care expenses, expenses associated with updating a personal residence due to the disaster (home office set-up, internet, etc.), transportation cost, funeral expenses and other living expenses due to an employer's known COVID-19 exposure Nonessential, luxury, wage replacement payments, such as sick, family medical leave or any other leave are excluded from Sec. 139 disaster relief payments.	Consult a tax advisor to determine if any COVID-19 payments you're making to employees qualify for this relief.	Employers can fully deduct all qualified disaster relief payments provided to employees in the year paid.
Excess Business Loss Provisions CARES Act Section 2304	Noncorporate taxpayers with excess business losses (EBL) generated in tax years beginning 2018, 2019 and/or 2020.	The TCJA limited the ability of taxpayers to use active net business losses in excess of \$250,000 (\$500,000 for joint filers) and required any excess to be considered NOL carryforwards to the following tax year. This rule is deferred until tax years beginning after December 31, 2020, rather than going into effect for tax years beginning after December 31, 2017.	If business losses were realized in 2018 and 2019, taxpayers should consult their tax advisors regarding this change. Noncorporate taxpayer's EBLs may result in cash tax refunds after amending 2018 returns or filing for a quick refund (Form 1045) to use any EBLs carried forward to 2019.	Quick refund claim funds may be available within 90-days of filing.
Refundable AMT Credits CARES Act Section 2305	Corporate taxpayers with outstanding AMT credits.	AMT credits from pre-2018 tax filings are recoverable immediately instead of over the 4-year period through 2021. Any unused AMT credits are fully refundable resulting in cash tax refunds.	Review 2018 tax return, and 2019 tax return or projections, to determine the impact of this change. File amended returns as needed to claim cash tax refunds. Taxpayers may request the refund on their 2019 tax return or make an election to claim the entire credit on their 2018 tax return by filing for a quick refund (Form 1139).	Quick refund claim funds may be available within 90-days of filing.

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Retail Glitch Fix CARES Act Section 2307	Taxpayers who placed qualified improvement property (QIP), e.g., certain leasehold, restaurant and retail improvement property, in service beginning in 2018.	<p>QIP previously assigned a 39-year MACRS recovery period and, therefore, bonus-ineligible is now assigned a 15-year MACRS recovery period and is eligible for bonus depreciation.</p> <p>Currently, taxpayers who made the real property trade or business election under Sec. 163(j) must continue to depreciate QIP using ADS.</p>	<p>Taxpayers may amend 2018 and/or 2019 returns or potentially file an accounting method change on 2019 or 2020 return to claim missed depreciation.</p> <p>Taxpayers amending returns should keep tax provisions such as UNICAP, 163(j), FDII and GILTI in mind due to the interplay of depreciation and these provisions.</p>	As soon as an amended return is filed, and any refund is processed by the IRS.
Interest Expense Limitation CARES Act Section 2306	All taxpayers with business interest expense, other than exempt small businesses	<p>Business interest expense limitation is increased to 50% of ATI for 2019 and 2020 tax years for corporations and only 2020 for partnerships.</p> <p>Taxpayers may elect to use 2019 ATI to calculate 2020 business interest expense limitation, as 2019 ATI may be higher than 2020 ATI, which allows for an increased interest expense deduction.</p> <p>Corporations who may deduct more interest expense in 2019 due to the increased ATI limitation may increase or generate an NOL. The NOL may result in a cash refund when fully used in 2019 or carried back.</p> <p>50% of disallowed interest expense allocated to a partner for 2019 will be treated as paid, and potentially deductible, in 2020 and the remaining will be treated as normal disallowed business interest expense.</p>	<p>Corporations: Review 2019 tax return or projections and 2020 projections to determine the effect on NOLs and/or estimated payments.</p> <p>Partnerships: No current action but may want to consider adding a footnote to their 2020 K-1s to notify partners of disallowed interest expense in 2019 and the ability to deduct 50% of it without limitation in 2020.</p>	As soon as an amended return is filed, and any refund is processed by the IRS.