

Per Intuit Tax Program updated 3/27/20

Federal tax updates (updated 3/27/20)

The Coronavirus Aid, Relief and Economic Security (CARES) Act

On Friday, March 27, 2020, the President signed the Coronavirus Aid, Relief and Economic Security (CARES) Act — a \$2 trillion stimulus package that will provide financial relief to individuals, families and businesses — into law. The 2020 coronavirus stimulus package will deliver relief through a range of measures, including an advanced tax rebate for taxpayers.

Stimulus checks for individuals and joint taxpayers. Stimulus checks — up to \$1,200 for individuals, \$2,400 for joint taxpayers and an additional \$500 for each qualifying child — will be based on information from taxpayers' most recent tax filings, either 2019 or 2018 if they have not yet filed this season. However, the amount paid now will be reconciled on next year's tax return based on the taxpayer's 2020 situation. If taxpayers have an adjusted gross income (AGI) of up to \$75,000 (\$150,000 married filing jointly), they should be eligible for the full amount of the recovery rebate. The stimulus check rebate completely phases out at \$99,000 for single taxpayers, \$146,500 for heads of household and \$198,000 for joint filers. The stimulus check will be paid this year based on information from your most recent tax return and will be reconciled in tax year 2020 to ensure you received the correct rebate amount. The CARES Act also allows the government to leverage the direct deposit information in taxpayers' tax year 2019 or 2018 tax return to deposit these stimulus funds electronically into their accounts. According to the [Tax Policy Center](#), approximately 90% of Americans will be eligible to receive full or partial payments through the CARES Act.

Student loan payment relief. Under the CARES Act, employers can still make student loan payments on behalf of their employees on a tax free basis, up to \$5,250 annually. This means the loan payments would be excluded from the employee's income. The provision is applicable on loan payments an employer makes from the day the bill was signed into law (March 27, 2020) through Jan. 21, 2021.

Increase in unemployment payments. Unemployment payments will be increased by \$600 weekly for four months through July 31, and the bill also includes those who were previously not eligible for unemployment, including part-time employees, freelancers, independent contractors, gig workers, and the self-employed.

Financial assistance provided for eligible non-profits and self-employed individuals. The Small Business Administration's loan program is now accessible to more businesses and has an increased cap on loans. The Act provides \$349 billion for the Small Business Administration to distribute through a new loan program titled the Paycheck Protection Program (PPP), making non-profits, self-employed individuals and contractors eligible to receive assistance.

The Federal Reserve lending program will also receive \$454 billion in support. Loans from this fund will be for no longer than five years and will be aimed at aiding non-profits and businesses with around 500 to 10,000 employees with the goal of retaining at least 90% of their workforce with full compensation and benefits.

Penalty waived for early retirement withdrawal. If your clients need to take money out of their retirement plans, keep in mind that the 10% early withdrawal penalty will be waived on up to \$100K of retirement funds withdrawn. Additionally, income attributable to such distributions would be subject to tax over three years, and you may recontribute the funds to an eligible retirement plan within three years without regard to that year's cap on contributions.

Delay of Social Security payroll tax payment for employers. Employers, including the self-employed, can delay the payment of the employer portion of the Social Security payroll tax for the remainder of the year and pay back the liability over the next two years.

The 2019 tax filing deadline is July 15, 2020

The Treasury and IRS have announced that they will extend the 2019 tax filing deadline to July 15, 2020. The IRS expects to continue to process refunds as normal. The IRS typically issues nine out of 10 tax refunds within 21 days or less from acceptance with e-file and direct deposit – the fastest way to get a refund.

- ***Do I need to file an extension to file past April 15?*** No, you do not need to take any action for your clients. The July 15 extension applies to all taxpayers automatically.
- ***Will the extension of the tax deadline delay my client's tax refund?*** No, the IRS expects to continue to process refunds as normal.
- ***Do my clients have more time to contribute to their IRAs?*** Yes, taxpayers now have until July 15 to make payments to IRAs for 2019.

- ***Will the deadlines for state taxes also be extended?*** A majority of states are conforming to the new July 15 tax deadline. However, some states have different deadlines and guidance. Please see the updated list of tax guidance and information by state below.

The extension of the federal tax filing deadline also applies to tax payments. Taxpayers that owe money can defer federal tax payments, interest free and penalty free until July 15. This deferment applies to all taxpayers, including individuals, trusts and estates, corporations and other non-corporate tax filers as well as those who pay self-employment tax. Taxpayers can defer tax year 2019 federal tax payments regardless of the amount owed. This deferment also applies to tax year 2020 estimated tax payments previously due on April 15, 2020.

- ***Who qualifies for the extended payment deadline?*** According to the Secretary of Treasury, anyone with a Federal Tax Payment related to their 2019 taxes and their tax year 2020 estimated tax payments due 4/15/20 can defer their tax payment, free of penalties and interest for 90 days for purposes of the relief.
- ***What do I do if I already filed my client's taxes, and they scheduled their payment for April 15?*** If your client has already filed and scheduled their payment for April 15, they will need to cancel their payment and reschedule it. Changes to payments need to be made no later than 11:59 p.m. ET two business days prior to the scheduled payment date.
- ***Does this extension apply to 2020 quarterly estimated tax payments?*** First quarter 2020 estimated income tax payments are postponed from April 15 to July 15, 2020. However, second quarter 2020 estimated income tax payments are still due on June 15, 2020.
- ***What if my client needs more time past the July 15 deadline to pay?*** If your client needs additional time beyond July 15 to file, you will need to file an extension. An extension will still give you until October 15, 2020, to file, but your client will need to pay any taxes owed by July 15 or be subject to penalties and interest.

The Families First Coronavirus Response Act (H.R. 6201)

On Wednesday, March 18, President Trump signed into law the Families First Coronavirus Response Act, or H.R. 6201, which includes relief for individuals, self-employed and businesses.

Relief for individual taxpayers. Eligible employees impacted by COVID-19 may receive paid sick and emergency sick leave.

- **Emergency Sick Leave:** Employees who were required to be quarantined, took care of a family member who was required to be quarantined, or had to care for your child due to school or daycare closures may be able to take 12 weeks job-protected leave under FMLA.
- **Paid Sick Leave:** Employees who were quarantined or seeking care for COVID-19 may receive two weeks paid sick leave at full pay and two-thirds pay to care for a family member or child.

Relief for self-employed and small businesses. The Families First Coronavirus Response First Act provides relief in the form of refundable tax credits for sick leave and family leave for eligible self-employed and small business owners.

- **Self-Employed Tax Credit for Sick Leave:** Self-employed individuals may be eligible for a refundable tax credit equivalent to a qualified sick leave amount. Qualified sick leave is based on average daily self-employment income.
- **Self-Employed Tax Credit for Family Leave:** Eligible self-employed individuals may be eligible for a refundable tax credit equal to 100 percent of a qualified family leave equivalent amount.
- **Small Business Tax Credit for Paid Sick Leave:** Small business owners who paid sick leave wages to employees may be eligible for a refundable tax credit equal to 100 percent of qualified sick leave paid.
- **Small Business Tax Credit for Paid Family Leave:** Small business owners who paid qualified family leave wages to employees may be eligible for a refundable tax credit equal to 100 percent of qualified family leave wages paid.

The IRS is expected to issue additional guidance on the COVID-19 tax relief.