

Breaking Down the COVID-19 Federal Stimulus Package

Individuals

1. Stimulus Checks
 - a. Single
 - i. \$1,200 payment to individual taxpayers
 - ii. Full payment for adjusted gross income (AGI) below \$75,000
 - iii. Payment phases out for individuals whose AGI is \$75,000-\$99,000 (fully phased out if AGI is over \$99,000)
 - b. Married Filing Jointly
 - i. \$2,400 payment to individual taxpayers
 - ii. \$500 payment for each child under the age of 17
 - iii. Full payment for AGI below \$150,000
 - iv. Payment phases out for individuals whose AGI is between \$150,000-\$198,000 (fully phased out if AGI is over \$198,000)
 - c. Head of Household
 - i. \$1,200 payment to individual taxpayers
 - ii. \$500 payment for each child under the age of 17
 - iii. Full payment for adjusted gross income below \$112,500
 - iv. Payment phases out for individuals whose AGI is between \$112,500-\$136,500 (fully phased out if AGI is over \$136,500)
 - d. Miscellaneous Details
 - i. The payments are based off 2019 tax return amounts. If a 2019 tax return has not yet been filed, the 2018 tax return will be used for qualification purposes.
 - ii. The IRS will be using direct deposit information on the latest return to send payments as well as mailing addresses for taxpayers who have not included their banking information.
 - iii. People on social security are eligible for the tax payments as long as their income falls below the appropriate threshold
 - iv. If your income was above the threshold in 2018 and 2019 but you lost your job in 2020, the stimulus check will become a refundable credit to collect on your 2020 tax return
 - v. The stimulus check is not subject to offset federal debts such as student loan delinquencies or tax debts, but it is subject to offset child support.
 - vi. The stimulus check will not be taxed.
2. Unemployment
 - a. Details
 - i. Unemployment benefits will extend an additional 13 weeks and include an additional \$600 per week payment for each recipient
 - b. Qualifications
 - i. The stimulus package has loosened the qualifications for those who qualify for unemployment;
 1. Independent contractors and self-employed individuals now qualify
 - ii. The following individuals are eligible for unemployment:

1. Furloughed individuals
 2. Individuals diagnosed, awaiting diagnosis, or had a family member diagnosed with COVID-19
 3. Individuals who left a job and their new job was shut down due to COVID-19
- c. Miscellaneous Details
- i. The seven-day waiting period for unemployment is waived
 - ii. Some individuals who qualify for unemployment may also qualify under paid family leave, in which we suggest talking to your employer
 - iii. Some individuals who qualify for unemployment may also qualify under paid sick leave, in which we suggest talking to your employer
3. Retirement Plan Details
- a. RMDs
- i. All required minimum distributions from 401(K) plans, SEPs, and traditional IRAs have been waived for 2020.
- b. Early Retirement Distributions
- i. Any early retirement distribution (under 59 1/2) under \$100,000, that is related to the COVID-19, will be waived from the early withdrawal penalty
 - ii. The withdrawal can be recontributed to the retirement account within three years outside of annual contribution limits. If not recontributed, the withdrawal will be taxed over a three-year period.
- c. 401(K) Loans
- i. The law stating 401(K) loans cannot exceed half of your vested amount has been waived. If this route needs to be taken, please contact your employer to see if they amended the plan to allow a loan greater than 50% of the vested account.
4. Other Individual Stimulus details
- a. Tax Deadline
- i. The 2019 Federal Tax Deadline and first estimated payment for 2020 have both been extended to July 15, 2020. New Jersey is expected to follow suit but has not passed a bill to date.
- b. Student Loans
- i. Wage garnishment and tax refund seizures will be suspended
 - ii. Interest will not accrue on student loans through September 30th
- c. Renter and Mortgage relief
- i. Borrowers with mortgages under Fannie Mae and Freddie Mac who have financial hardship from COVID-19 can request a six-month forbearance of payments. No evictions or foreclosures can occur on properties with federally backed mortgages.
 - ii. Landlords cannot evict tenants of buildings with federally backed mortgages
- d. Charitable Contributions
- i. On the federal 2020 tax return, taxpayers who take the standard deduction may deduct up to \$300 of qualified charitable contributions

Businesses

1. Paycheck Protection Program
 - a. Details
 - i. A forgivable loan that can be converted into a non-taxable grant to cover expenses from February 15 - June 30, 2020
 - ii. The funding will be used to retain workers, maintain payroll, and cover fixed costs (rent, mortgage, utilities)
 - iii. Prepayment penalties, annual fees, and guarantee fees are waived. No personal guarantee or collateral
 - iv. SBA plans on creating a process to have these loans made and distributed on the same day
 - b. Funding
 - i. The maximum funding allotted will be 2.5 times the monthly average cost of your payroll, mortgage, rent, and utility payments, not to exceed \$10 million
 - ii. Payroll includes wages, salaries, retirement contributions, healthcare benefits, covered leave, and other expenses
 - c. Qualifications
 - i. Your business must have been economically affect by COVID-19
 - ii. Business with <500 employees qualify
 - d. Terms to Make the Loan Forgivable
 - i. Any portion of the loan used to make payroll, pay for utilities, rent, mortgage interest, and business debt will be forgiven **AS LONG AS WORKERS REMAIN EMPLOYED UNTIL THE END OF JUNE.**
 - ii. If business let employees go before accepting the loan, they can rehire these employees and accept the loan.
 - iii. Employee wages cannot be decreased by more than 25%
 - iv. During the loan forgiveness application, the following documentation will be required;
 1. Documentation verifying the number of full-time equivalent employees on payroll and pay rates for the periods, including
 - a. Payroll tax filings
 - b. State income, payroll, and unemployment insurance filings
 2. Documentation to prove lease, mortgage, and utility payments
 - a. Cancelled checks, payment receipts, account statements
 3. A certification from a representative of the eligible recipient authorized to make such certification that
 - a. The amount forgiveness is being requested was used for the proper payments
 - v. Other documentation the administrator determines necessary
 - vi. The lender must make a decision within 60 days of your forgiveness application submission.
2. Employee Retention Credit
 - a. Cannot be combined with the Paycheck Protection Program (see a)

- b. The credit is also reduced by credits taken from the employer credit for paid family and medical leave (see d below)
- c. Qualifications
 - i. Employers whose operations were fully or partially suspended due to COVID-19 shutdown orders, OR
 - ii. Gross receipts declined by more than 50% compared to the same quarter in the prior year
- d. Details
 - i. Provides a refundable payroll tax credit equal to 50% of wages paid by employers to employees due to the Coronavirus from March 12, 2020 – December 31, 2020
 - ii. The wage cap for each employee is \$10,000, or \$5,000 in tax credit to be taken against employer taxes
 - iii. For employers <100 employees, all wages qualify for the credit
 - iv. For employers >100 employees, only wages paid for operations suspended due to COVID-19 qualify
- 3. Employer Payroll Tax Deferred Payment
 - a. Cannot be combined with payroll protection program (see a)
 - b. For businesses 2020, 50% of 2020 employer social security taxes (6.2%) can be delayed until December 31, 2021, and the remaining 50% of the 2020 social security tax liability can be delayed until December 31, 2022.
- 4. Tax Credits for Employers with <500 Employees
 - a. Employers cannot take a paid sick leave and family leave tax credit if the funds used to pay the required family leave and sick wages are from the payroll protection plan (see a), and the funds will become forgivable.
 - b. Paid Sick Leave and Family Leave Tax Credit
 - i. An employer is eligible for a 100% payroll tax credit for “qualified sick leave wages” and “qualified family leave wages” required to be paid underneath the Act. Qualified sick leave wages and qualified family leave wages include the following;
 - 1. Person is subject to a Federal, State, or local quarantine or isolation order related to COVID-19;
 - 2. Person has been advised by a health care provider to self-quarantine related to COVID-19;
 - 3. Person is experiencing COVID-19 symptoms and is seeking a medical diagnosis;
 - 4. Person is caring for an individual subject to an order described in (1) or self-quarantine as described in (2);
 - 5. Person is caring for a child whose school or place of care is closed (or child care provider is unavailable) for reasons related to COVID-19; or
 - 6. Person is experiencing any other substantially-similar condition specified by the Secretary of Health and Human Services, in consultation with the Secretaries of Labor and Treasury

- ii. The credit will be a dollar-for-dollar tax offset against any payroll taxes due, and any remaining refund will be sent by the IRS as soon as possible
 - 1. Paid Leave Employer Requirements
 - a. Employees can receive two weeks of paid sick leave from eligible employers at 100% of employee's pay if the employee is unable to work due to COVID-19 symptoms or seeking a medical diagnosis
 - b. Employees can receive two weeks of paid sick leave from eligible employers at 2/3 of employee's pay if the employee is unable to work because of need to care for an individual subject to quarantine or care for a child whose school is closed or child care provider is unavailable for reasons related to COVID-19
 - 2. Paid Sick Leave Requirements
 - a. For an employee who is unable to work because of Coronavirus quarantine or self-quarantine or has Coronavirus symptoms and is seeking a medical diagnosis, eligible employers may receive a refundable sick leave credit for sick leave at the employee's regular rate of pay, up to \$511 per day and \$5,110 in the aggregate, for a total of 10 days.
 - b. For an employee who is caring for someone with Coronavirus, or is caring for a child because the child's school or child care facility is closed, or the child care provider is unavailable due to the Coronavirus, eligible employers may claim a credit for two-thirds of the employee's regular rate of pay, up to \$200 per day and \$2,000 in the aggregate, for up to 10 days. Eligible employers are entitled to an additional tax credit determined based on costs to maintain health insurance coverage for the eligible employee during the leave period.
 - 3. Child Care Leave Requirements/Credit
 - a. In addition to the sick leave credit, an employee who is unable to work because of a need to care for a child whose school or childcare facility is closed or whose childcare provider is unavailable due to COVID-19, eligible employers may receive a refundable childcare leave credit. This credit is equal to two-thirds of the employee's regular pay, capped at \$200 per day or \$10,000 in the aggregate. Up to 10 weeks of qualifying leave can be counted towards the childcare leave credit. Eligible employers are entitled to an additional tax credit determined based on costs to maintain health insurance coverage for the eligible employee during the leave period.
- 5. Misc. Business Details
 - a. NOLs
 - i. For net operating losses, a five-year carryback has been granted for NOLS in 2018, 2019, and 2020 tax years.

- ii. The provision removes the 80% taxable limitation for net operating losses
- b. Qualified Improvement Property
 - i. For qualified improvement property to an interior portion of nonresidential real property, the depreciable life has been changed to 15 years and is eligible for bonus depreciation. This provision is retroactive to December 2018.
- c. The government wants to keep as many people as possible employed during this time. This is why they are practically streamlining unemployment through employers. If you have an employee who cannot work due to COVID-19, the IRS is setting up tax credits and forgivable loans to create a net cost of \$0 for the employer to keep the employee on payroll.

Your Bowman tax representative can help you understand you or your business' eligibility for federal relief under these new provisions.

To learn more about the COVID-19 Federal Stimulus Package and its implications, checkout the American Institute of Certified Public Accountants' [overview video](#) featured in this document.

The complete COVID-19 Federal Stimulus Bill can be found on Congress.gov or by [clicking here](#).

