



## COVID-19 Response Update

Dear Clients and Friends,

We hope this email finds you and your loved ones continuing to be safe and healthy as our nation navigates these uncharted waters.

We understand that this period of uncertainty is causing a great deal of apprehension about what should be done to best protect families and businesses. Please know that we are here to help guide you through the days ahead as relief and economic stimulus packages are coming to fruition. We also understand that you are being inundated with communications from many different organizations right now, and we want to be respectful of both your email inbox and your time. Please know that we will not send messages unless we feel they contain pertinent information that you will need to make informed decisions.

Together, we will create an actionable plan to move us forward.

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### CARES Act: The Coronavirus Aid, Relief, and Economic Security Act- Update

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President Trump this afternoon signed the CARES Act, a \$2 trillion aid package for Americans in response to the Coronavirus crisis facing our nation. Below is an outline of a few CARES Act specifics that we feel you should be aware of:

#### **Individual Tax Relief**

- Based on your 2019 tax return, or your 2018 tax return if 2019 has not already been filed, the IRS will issue payments in the amount of \$1,200 for single filers or \$2,400 for married filing jointly, plus \$500 for each child under the age of 17.

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- Individuals with higher incomes in 2018 or 2019 will have their payments phased out based on their reported Adjusted Gross Income (AGI). The phase-out begins at \$75,000 for single filers and \$150,000 for joint filers. Once an individual exceeds these thresholds, the payment is reduced \$5 for every \$100 your AGI is over the threshold.

### **Keep American Workers Paid and Employment Act**

- Inside the CARES Act, \$349 billion has been appropriated specifically to aid employers and to discourage layoffs. Qualifying small businesses (500 or less employees) are eligible for the federal-guaranteed emergency Paycheck Protection Program (PPP), which is also referred to as Covered Loans.
- PPP loans are interest-bearing at no more than 4%. They are non-recourse loans to help borrowers cover payroll costs and other working capital expenses such as rent, mortgage payments, and utilities. There are stipulations such as only the first \$100,000 annual compensation for each domestic based employee may be considered.
- The PPP loans are made through qualified 7(a) lenders and other designated institutions. Most of our local banks are approved lenders and are ready to help you.
- The covered period will be from February 15, 2020 – June 30, 2020. The maximum loan amount is the lesser of \$10 million or the average monthly payroll cost for the one year period prior to loan date times 2.5. This does exclude payroll cost above \$100,000 per employee.
- Borrowers should use these PPP loan funds to meet their payroll cost, cover employee benefits, rent, mortgage interest payments, utilities, and interest on debts incurred before the covered period.

- Loans can be forgiven if the borrower demonstrates that loan proceeds were used for eligible purposes, including payroll, benefits, mortgage interest, rent and utilities during the covered period. The covered period is the eight-week period beginning on the date the lender originates the loan. The amount forgiven is limited to the principal amount borrowed. Cancelled indebtedness is not taxable to the borrower as gross income.
- Loans are eligible for forgiveness, but any unforgivable portion must be repaid after 10-years with an option for deferral, and there will be no prepayment penalty.

**Please note:**

- There is no double-dipping from the SBA Economic Injury Disaster Loan (EIDL).
- There are several payroll credits and deferrals available under the Act but, these are not available if you receive a covered loan under PPP.

**Additional Provisions:**

- Beginning in 2020, the Act allows for an “above-the-line” deduction of up to \$300 to qualified charitable organizations. Additionally cash contributions to charities are deductible up to 100 percent of AGI, rather than 60 percent, for those who itemize rather than claim the standard deduction.
- Net operating losses arising in 2018, 2019 or 2020 can be carried back five years, and the taxable income limitation is temporarily removed.
- If you meet certain requirements, you can withdraw up to \$100,000 in Coronavirus-related distributions from retirement plans without being subject to the early distribution penalty. Additionally, the bill temporarily suspends the required minimum distributions for 2020.

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## **U.S. Families First Coronavirus Response Act**

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On March 18, 2020, President Trump signed into law the U.S. Families First Coronavirus Response Act. In response, the IRS issued Release IR 2020-57, which defines how employers with fewer than 500 employees can receive a dollar-for-dollar credit against payroll taxes for covering paid leave.

Key guidelines include the following:

- Employers with fewer than 50 employees and some healthcare providers are eligible for certain exemptions to the requirements to provide paid leave to eligible employees. There are also specific guidelines as to which employees qualify, the amount of pay required, and the time period for payments, under each the FMLA Expansion Act and The Sick Leave Act.
- Eligible employers receive 100% reimbursement to offset the wages, which will be paid in the form of tax credits against payroll tax deposit requirements.
- Eligible employers are also entitled to an additional tax credit based on the cost to maintain health insurance coverage for eligible employees during the leave period. If there are not sufficient payroll taxes to cover the cost of qualified sick leave, employers will be able to request an accelerated payment from the IRS.

At the time of this email, the IRS has not provided the logistics of reporting the eligible wages paid.

However, a notice from the Department of Labor has been created and all covered employers are required to post it in a conspicuous place on its premises. You can find the notice [here](#).

Wishing you and your families a restful and restorative weekend.

Stay safe friends,

The Partners of  
Russell Thompson Butler & Houston, LLP

