



Goldin Peiser & Peiser, LLP

CPA's and Strategic Advisors

# Summary of the New Tax Laws Generated in Response to COVID-19

Presented by

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# Disclaimer

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# Topics to Be Covered

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- ✓ COVID-19 Economic Relief Bill
- ✓ CARES Act – Tax Provisions
- ✓ Presidential Election – Tax Update



# **COVID-19 Economic Relief Bill – Paycheck Protection Program (PPP)**

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- IRS released Notice 2020-32 in April 2020 stating that if your PPP loan was forgiven, then the expenses associated with the tax-free income are non-deductible
- Sparked discussion because this was not the intent of Congress when CARES Act was drafted
- This bill clarifies that any expenses paid with the proceeds of a PPP loan that is forgiven will be deductible and that the tax basis and other attributes of the borrower's assets will not be reduced as a result of the loan forgiveness
- There is now a second round of PPP loans being offered, with the requirements for the second loan being much stricter than the first round

# COVID-19 Economic Relief Bill – PPP (cont.)

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- **Second Round of Funding:**

- Available to borrowers that previously received a PPP loan
- Limited to businesses that:
  - Employ no more than 300 employees (down from 500)
  - Have used the entire amount of their first PPP loan or will use such amounts
  - Had gross receipts during any quarter in 2020 that was at least 25% less than the same quarter in 2019
- Maximum loan amount reduced from \$10 mil to \$2 mil
- Congress expanded the types of expenses for which all PPP loans can be used  
(Ex: Certain operation expenditures, property damage costs, supplier costs, and worker protection expenditures)

# COVID-19 Economic Relief Bill – Employee Retention Credits

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- **Employee Retention Tax Credit**

- Extends CARES Act employee retention tax credit through June 30, 2021
- Eligible if:
  - Operations at least partially suspended from governmental order; or
  - Gross receipts at least 20% decrease from 2019 for each quarter (decrease from 50% eligibility in 2020)
- Increases credit rate from 50% to 70% of qualified wages
- Increase in the limit on per employee creditable wages from \$10,000 for the year to \$10,000 for each quarter (only through June 2021)
- Increase the number of employees from 100 to 500
- Now eligible for the credit if received PPP loan
  - Wages forgiven from PPP loan cannot also be used to for credit

# COVID-19 Economic Relief Bill – Individual Tax Provisions

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- **Additional Individual Stimulus Payments**

- \$600 for single filers; \$1,200 for MFJ + \$600 per qualifying child
- Phases out over \$75K single; \$150K MFJ
- Advance payment for 2020 credit that will be computed on 2020 return
- Will be based on last filed return (2019 or 2018)

- **Charitable Contributions**

- Above-the-line deduction of \$300 for qualified charities extended for nonitemizers to 2021 and maximum amount increased to \$600 for married couples filing jointly

- **Educator Expenses**

- Cost of personal protective equipment and other supplies used for the prevention of the spread of COVID-19 to be treated as an eligible expense for purposes of the educator expense deduction



# COVID-19 Economic Relief Bill – Business Tax Provisions

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- **Temporary Allowance of Full Deduction For Business Meals**
  - Allows 100% deduction for meals as long as the expense is for food or beverages provided by a restaurant
  - Effective from January 1, 2021 to December 31, 2022
- **Payroll Tax Credit**
  - Extends refundable payroll tax credits for paid sick and family leave enacted in the Families First Coronavirus Response Act through March 31, 2021 instead of December 31, 2020

# CARES Act - Individual Tax Provisions

## • Individual Stimulus Payments

- \$1,200 for single filers; \$2,400 for MFJ + \$500 per child under 17
- Phases out over \$75K single; \$150K MFJ
- Advance payment for 2020 credit that will be computed on 2020 return
- Based on last filed return (2019 or 2018)

## • Charitable Contributions

- Non-itemizers can take “above-the-line” deduction for cash contributions up to \$300 to certain qualified charities
- Does not include contributions to private foundations or donor-advised funds
- Limits lifted on charitable giving for 2020 (was 60% of AGI, now 100%, with excess carried forward for 5 years)

## • Retirement Funds

- Coronavirus-related distribution of up to \$100K in the year 2020 free from penalty (subject to eligibility requirements)
- Borrowing increased from \$50K to \$100K for 180-day period



# CARES Act - Business Tax Provisions

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- **Qualified Improvement Property Fix**

- Technical correction giving improvements to interior portion of building intended 15-year life eligible for bonus depreciation instead of 39-year straight line
- Retroactive to January 1, 2018
- Expected this to come out in 2019 and never did
- Excludes improvements to structure of the building, elevators, and escalators, as well as residential rental property
- Can amend 2018 return or file Form 3115 with 2019 return to claim

- **Net Operating Losses**

- Losses from 2018, 2019, and 2020 will be permitted to be carried back for 5 years
- Carryback claims to 2018 must be filed within 120 days following enactment
- Losses carried forward to 2019 and 2020 will be permitted to offset 100% of taxable income as opposed to 80%

# CARES Act - Business Tax Provisions (cont.)

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- **Interest Expense Limitation**

- Could only deduct 30% of “adjusted taxable income” with any excess interest expense carried forward
- Has been changed to 50% for 2019 and 2020

- **Excess Business Losses**

- Net business loss an individual may use to offset income in a year was limited to \$250K for single and \$500K for MFJ
- Temporary halt for 2020 and is retroactive to January 1, 2018
- Taxpayer can file an amended return to claim refund for 2018 and 2019

# CARES Act - Business Tax Provisions (cont.)

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- **Amending Partnership Returns**

- Need to consider whether Centralized Partnership Audit Regime (CPAR) applies and amended individual returns are necessary

- **Corporate Charitable Contributions**

- 10% limit of taxable income increased to 25%

- **Corporate AMT**

- Acceleration of refundable credit is now available in 2018 or 2019 instead of over 4-year period 2018-2021



# Biden 2020 – Individual Tax Rates

Tax Policy	Current Law	Biden's Stated Goals
Individual tax rates	Top marginal rate is 37% for income over \$518K for individuals and \$622K for married filing jointly taxpayers.	Restore the top marginal rate back to 39.6% for taxable income above \$400K.
Capital gains and dividends	Top rate is 20% for income over \$441K for individuals and \$496K for those married filing jointly. Plus an additional 3.8% net investment income tax.	Eliminate any tax breaks for capital gains and dividends from income above \$1 mil. For individuals with income above \$1 mil, they would be taxed at the ordinary rates.
Tax rate on carried interests	If held at least 3 years, taxed at long-term capital gain rates.	Tax as ordinary income.

# Biden 2020 – Individual Credits & Deductions

Tax Policy	Current Law	Biden's Stated Goals
Child Tax Credit	Individuals can claim a maximum of \$2,000 credit for eligible children and \$500 credit for dependents.	Expand the child tax credit to \$3,000 for children age 17 and under and offer a \$600 bonus for children age 6 and under.
Student Loan Forgiveness	Any student loan debt forgiven is included in taxable income.	Exclude forgiven student loan debt from taxable income.
Itemized Deductions	For 2020, standard deduction of \$12.4K for individuals and \$24.8K for those married filing jointly. Currently, there is a \$10K cap on state and local taxes for itemized deductions.	Tax benefit of itemized deductions capped at 28% and state and local income tax \$10K limit be repealed.

# Biden 2020 – Possible Business Tax Changes

Tax Policy	Current Law	Biden's Stated Goals
Corporate tax rate and AMT	Flat rate of 21% and no alternative minimum tax (AMT).	Raise flat rate to 28% and reinstate AMT, requiring corporations pay the greater of 15% minimum tax or regular income tax.
Pass-through trade/business income (QBI)	20% deduction	Implement new phase-out for income over \$400K.
GILTI Rate	Current rate of 10.5% for U.S. multi-nationals	Double tax rate to 21% and assess a minimum tax depending on the country. If offshoring, 10% penalty surtax on profits. If creating manufacturing jobs in the U.S., 10% advanceable "Made in America" credit.



# Biden 2020 – Estates

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Tax Policy	Current Law	Biden's Stated Goals
Tax Exemption	For 2020, exemption amount of \$11.58 mil.	Cut exemption to \$5.49 mil or even possibly down to \$3.5 mil.
Step-up in basis of appreciated property inherited	If inheriting property that has appreciated, can step-up basis in property to the appreciated amount.	Eliminating step-up in basis currently allowed.

# Q&A Session

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# Contact Us

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