



Newsletter

APRIL 2020

Freddi Eberhart & Associates Inc. would like to thank you for selecting our firm for your tax and accounting needs. We appreciate the confidence you have shown in us, and we remain ready to assist you at any time. Also, thank you for recommending us to your family, friends, and associates. We truly appreciate your referrals.

This Month:

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April 15 (NOW EXTENDED to July 15)

- Individual tax returns due
- 2019 IRA and Roth IRA contributions due
- C corporation tax returns due
- First-quarter 2020 estimated tax due

April 12

- Easter Sunday

The IRS and FTB rolled out deadline extensions and new programs to help individuals and businesses navigate the COVID-19 pandemic. A recap of these announcements is included here for your review.

Tax Deadlines Move to July 15

The April 15 income tax filing due date has been moved to July 15, the U.S. Treasury Department, IRS, and California FTB recently announced. Here is what you need to know:

- The due dates for all tax payments normally due April 15 have been pushed back 90 days to July 15, regardless of the amount owed. This applies to all calendar year taxpayers, including individuals, trusts and estates, corporations and other non-corporate tax filers.
- Payments that can be extended to July 15 include income tax payments and self-employment tax payments that are associated with the 2019 taxable year. Also extended are estimated income tax payments for the first quarter of 2020 taxable year.
- The 90-day extension from April 15 to July 15 is automatic. No additional forms must be filed to receive the 90 day extension.

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CARES Act Provisions

On March 27th, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act, a stimulus bill that includes economic stimulus payments for qualifying individuals and a loan program to keep small businesses afloat during mandated COVID-19-related closures.

Economic Stimulus Payments - Individuals

The payment is an advance payment of a 2020 tax credit;

The maximum credit is \$1,200 per individual (\$2,400 MFJ) plus \$500 per qualifying child under 17 years old;

The credit is phased out by 5% (\$5 for every \$100 over the limit) for AGIs exceeding:

- \$150,000 for MFJ — phased out at \$198,000 if there are no children;
- \$112,500 for HOH filers — phased out at \$146,500 if the HOH has one child;
- \$75,000 for all other taxpayers — phased out at \$99,000; and
- For every child claimed, add an additional \$10,000 to the phaseout.

For people who have already filed their 2019 tax returns, the IRS will use this information to calculate the payment amount. For those who have not yet filed their return for 2019, the IRS will use information from their 2018 tax filing to calculate the payment. The stimulus payment will be deposited directly into the same banking account reflected on the return filed;

For taxpayers who did not provide direct deposit information, in the coming weeks the Treasury plans to develop a web-based portal for individuals to provide their banking information to the IRS online so that individuals can receive payments immediately as opposed to checks in the mail. For individuals who did not file a 2018 or 2019 return, the IRS is developing a simplified process for them to file.

Here is a link to the IRS's FAQs on these payments:

www.irs.gov/newsroom/economic-impact-payments-what-you-need-to-know

The CARES Act includes a Paycheck Protection Program (PPP) which authorizes up to \$349 billion of federally guaranteed loans to qualifying small businesses. This new loan program is based on the architecture of the SBA's existing 7(a) loan program and will make forgivable loans of up to \$10 million available to qualifying small businesses.

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CARES Act Provisions (Cont'd)

The CARES Act provides for Payroll Protection loans of up to \$10 million to COVID-19 impacted businesses;

The loans are guaranteed 100% by the Small Business Administration (no personal guarantees or collateral required);

Businesses with 500 or fewer employees can borrow 2.5 times their average monthly payroll, up to a maximum of \$10 million;

The loans may be forgiven for amounts used to cover basic operating expenses such as payroll costs, rent and mortgage, and utilities for up to eight weeks from the loan origination date;

Loan forgiveness will be reduced by reductions in employee compensation or layoffs of employees over the last year;

The canceled debt will not generate taxable income;

Businesses that take these loans will not qualify for the Employer Retention Credit;

Any loan amount that isn't forgiven has a maximum term of 10 years and a maximum interest rate of 4%; and

At press time, the SBA had not provided information to banks on the loan process, but we expect that to happen soon.

Small business owners in all U.S. states, Washington D.C., and territories are eligible to apply for an Economic Injury Disaster Loan advance of up to \$10,000.

The SBA's Economic Injury Disaster Loan program provides small businesses with working capital loans of up to \$2 million that can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing. The loan advance will provide economic relief to businesses that are currently experiencing a temporary loss of revenue. Funds will be made available within three days of a successful application, and this loan advance of \$10,000 will not have to be repaid.

Here is a link for you to review EIDL and PPP Programs:

<https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources#section-header-2>

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CARES Act Provisions (Cont'd)

Please note that businesses cannot get both EIDL and PPP loans at the same time. You can apply for the EIDL loan now and the PPP loan when it becomes available. If you qualify and accept the EIDL loan, and you subsequently qualify for the PPP loan, you can re-finance the EIDL loan with the PPP loan, OR you can apply for both loans and decide which one you take if you qualify for both. Loans are limited to one per Taxpayer Identification Number.

New COVID-19 Relief Law Requires Small Business to Provide Paid Leave

Families First Coronavirus Response Act provides worker benefits

The Families First Coronavirus Response Act is a new program that offers COVID-19 assistance for both employees and employers.

This new law provides businesses with fewer than 500 employees the funds to provide employees with paid leave, either for the employee's own health needs or to care for family members.

Here are the details of the new law's benefits:

- **Paid Sick Leave for Workers:** The new law provides employees of eligible employers two weeks (up to 80 hours) of paid sick leave where the employee can't work because the employee is quarantined and/or experiencing COVID-19 symptoms and seeking a medical diagnosis.
- **Other Paid Leave for Workers:** Employees can receive two weeks (up to 80 hours) of leave at two-thirds the employee's pay up to \$200 per day for up to 10 days if they need to care for someone in the following situations: They need to care for an individual subject to quarantine, to care for a child whose school is closed or childcare provider is unavailable for reasons related to COVID-19.
- **Companies will get paid back:** Businesses who pay employees the mandatory sick and childcare leave according to the new law will get completely reimbursed through a payroll tax credit.

What it means for you

- Employees can take the necessary time to recover from being infected with COVID-19, or to care for a loved one, without fear of losing their job or salary.
- Employers can help their employees financially while navigating COVID-19 related shutdowns.

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Governor Newsom Signs Executive Order Providing Relief to California Small Businesses

The order provides a 90-day extension for state and local taxes, including SALES TAX

On March 30, 2020, Governor Newsom signed an executive order that will provide tax, regulatory and licensing extensions for businesses.

The executive order allows the California Department of Tax and Fee Administration (CDTFA) to offer a 90-day extension for sales and use tax returns and sales and use tax payments for all businesses filing a return for less than \$1 million in taxes. That means small businesses will have until the end of July to file their first-quarter sales and use tax returns.

Additionally, the order extends the statute of limitations to file a claim for refund by 60 days to accommodate tax and fee payers.

Here is the link to the Governor's executive order:

<https://www.gov.ca.gov/wp-content/uploads/2020/03/3.30.20-N-40-20.pdf>

As always, should you have any questions or concerns regarding your tax situation please feel free to call or email us.

This newsletter provides business, financial, and tax information to clients and friends of our firm. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us.