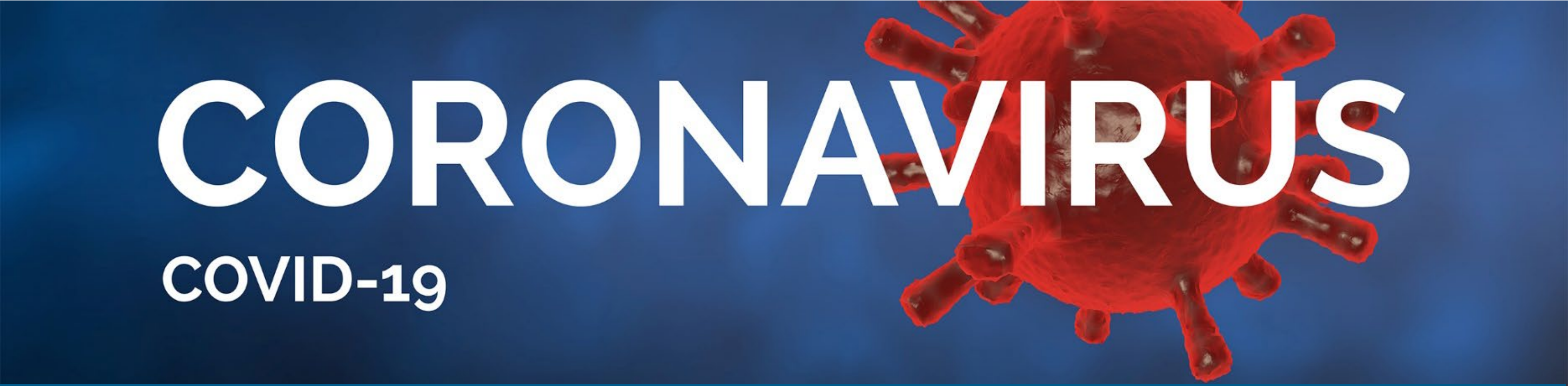

COVID-19 Tax Impacts

Tax Issue	Summary Analysis
Due Dates for Filing Tax Returns and Paying Tax	The IRS extended the April 15 tax filing and tax payment deadline by 90 days until July 15 for all taxpayers, without limitation on how much is owed. The 2020 estimated tax payments due April 15 and June 15, respectively, were are also deferred until July 15. The filing and payment extensions are automatic, i.e., no extensions need to be filed to qualify for the extensions. A taxpayer may make HSA contributions until the July 15th date. The IRS has also announced that it will generally suspend collection related activities until July 15th. California has conformed to federal law and also extended the filing and tax payment deadline until July 15th. The period from April 15, 2020 to July 15, 2020 will be disregarded in the calculation of interest, penalty, or addition to tax for failure to file returns or pay taxes.
Rebates	Eligible individuals are entitled to a rebate of $1,200 if single or $2,400 if married filing jointly plus $500 for each child under the age of 17 (phased out for incomes over $75,000, single, and $150,000, married filing jointly). The credit phases out entirely at $99,000, for single filers ($198,000 for joint filers). The rebates are treated as an advance refund of a 2020 tax credit. An eligible individual is any individual who has a Social Security number and who is not a nonresident alien, an individual who can be claimed as a dependent on another taxpayer's return, or an estate or trust. Some checks may not arrive until September because the IRS will send approximately 100 million checks at a rate of 5 million checks per week, which could take 20 weeks.
Charitable Contribution	An individual is allowed to make a cash contribution of up to $300 to certain qualifying charities and deduct the contribution no matter if they take the standard or itemized deduction. In addition, the CARES Act changes the limit on charitable giving from 60% of a taxpayer's adjusted gross income to 100% of a taxpayer's adjusted gross income. However, the increased limit for charitable contributions is applicable only for cash contributions. Any excess contributions would be carried over for five years. For corporations, the charitable deduction limit would increase from 10% of adjusted taxable income to 25%.
Interest Expense Deduction	The current interest expense deduction that is limited to the extent of 30% of adjusted taxable income ("ATI") is increased to 50% for 2019 and 2020. If 2020 becomes a loss year, the business can elect to use its 2019 adjusted taxable income in computing its 2020 limitation (not applicable to partnerships, but partners will be allowed a greater 2020 deduction of excess business interest expense). In the case of a partnership (or an entity taxed as a partnership), the increase to the ATI portion of the limitation applies only to tax years beginning in 2020. Any election not to use the increased limitation must be made at the partnership (or the entity taxed as a partnership) level. Like other

Interest Expense Deduction (cont'd)	taxpayers, partnerships (or entities taxed as a partnership), may elect to substitute 2019 ATI for 2020 ATI. A special rule provides that partners treat 50% of any excess business interest expense allocated to the partner in a tax year beginning in 2019 as paid or accrued in the partner's first tax year beginning in 2020, with the remaining 50% subject to the default limitation based on allocated excess taxable income. A partner may elect out of this special rule.
Net Operating Loss	The current tax law that disallows net operating loss (NOL) carrybacks and limits the use of NOL carryforwards is suspended for 2018, 2019 and 2020, and taxpayers will be permitted to carry back NOLs for up to five years. The CARES Act does not alter the indefinite carryforward of NOLs arising in those years. For 2018, 2019, and 2020, business losses can offset non-business income without limitation.
Like-Kind Exchange	The IRS extended the Section 1031 45-day period and 180-day period for any period that falls between April 1, 2020 and July 14, 2020, by extending such periods until July 15, 2020. If the deadlines for such periods were in February or March, the extension is not helpful to a taxpayer.
Opportunity Zone	The IRS extended the 180-day period for a taxpayer with eligible capital gains to invest some or all of those gains in a qualified opportunity fund. If the qualified opportunity fund investment deadline falls between April 1, 2020 and July 14, 2020, the taxpayer has until July 15, 2020 to make such qualified opportunity fund investment. Thus, if the event that triggered capital gains and the 180-day investment deadline occurred on any date on or between October 5, 2019 and January 17, 2020, the deadline to invest in a qualified opportunity fund is extended to July 15, 2020.
Qualified Improvement Property	Section 2307 of the CARES Act provides that the recovery period for qualified improvement property ("QIP") is 15 years, thus making QIP immediately available for bonus depreciation. This correction to the recovery period for QIP is retroactive to January 1, 2018, meaning taxpayers may amend prior year returns and possibly obtain a refund.
Time Sensitive Actions	The IRS postponed to July 15, 2020 the due date for time-sensitive actions of "affected taxpayers" due on or after April 1, 2020 and before July 15, 2020. Some time-sensitive actions include: • Filing a Tax Court petition or a petition for review of a Tax Court decision. • Filing a claim, or bringing a suit upon a claim, for credit or refund of any tax. • Filing certain specified tax returns.
Tax Credits for Paid Sick and Family and Medical Leave Act	The Families First Coronavirus Response Act ("FFCRA"), provides small and midsize employers refundable tax credits that reimburse them, dollar-for-dollar, for the cost of providing paid sick and family leave wages to their employees for leave related to COVID-19.
Employee Retention Credit	The Employee Retention Credit is a fully refundable tax credit for employers equal to 50 percent of qualified wages (including allocable qualified health plan expenses) that Eligible Employers pay their employees. This Employee Retention Credit applies to qualified wages paid after March 12, 2020, and before January 1, 2021. The maximum amount of qualified wages taken into account with respect to each employee for all calendar quarters is $10,000, so that the maximum credit for an Eligible Employer for qualified wages paid to any employee is $5,000. *An Eligible Employer may not receive the Employee Retention Credit if the Eligible Employer receives a loan under the Paycheck Protection Program ("PPP") that is authorized under the CARES Act, unless such Eligible Employer repaid the loan by May 14, 2020. The same wages cannot be counted for the FFCRA credit and the Employee Retention Credit.*

Penalty Relief for Failure to Deposit Employment Taxes	IRS provides relief from the failure to deposit penalty under section 6656 of the Internal Revenue Code for not making deposits of employment taxes, including taxes withheld from employees, in anticipation of the FFCRA paid leave credits and the employee retention credit. The ability to defer deposit and payment of the employer's share of Social Security tax applies to all employers, not just employers entitled to paid leave credits and employee retention credits.
Delay of Payment of Employer's Share of Payroll Taxes	Employers and self-employed individuals can defer the deposit and payment of the *employer's share of Social Security tax and certain railroad retirement taxes*. The deferral applies to deposits and payments of the employer's share of Social Security tax that would otherwise be required to be made during the period beginning on March 27, 2020, and ending December 31, 2020. All employers may defer the deposit and payment of the employer's share of Social Security tax. However, employers that receive a PPP loan may not defer the deposit and payment of the employer's share of Social Security tax due after the employer receives a decision from the lender that the PPP loan is forgiven. The deferred Social Security taxes are due in equal installments (50% each) on December 31, 2021 and December 31, 2022.
Qualified Disaster Relief Payment	Under Internal Revenue Code Section 139, employers can provide assistance directly to an employee free of income tax, provided, however, they are used to pay or reimburse amounts that are reasonably expected to be incurred for incremental personal, family, living, or funeral expenses incurred as a result of the Covid-19 crisis. There is no requirement under Section 139 for the employer to make a specific assessment of the financial need of the employee. This qualified disaster relief payment must be made to, or for the benefit of, an individual, but only to the extent any expense compensated by the payment is not otherwise compensated for by insurance or some other reimbursement
Student Loan	In 2020, an employer can pay up to $5,250 of an employee's student loan debt on a tax-free basis.

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This information was published on May 11, 2020.