Navigating COVID-19 Business and Tax Resources

Rebates and Tax Returns

When is my 2019 tax return due?
The tax filing due date for individuals and calendar-year corporations have been extended to July 15.

2019 Federal and California income taxes, as well as first and second quarter 2020 federal estimated payments, will not be due until July 15 of this year.

What exactly are the stimulus checks?
The stimulus checks are actually refundable tax credits. This means that the check amount decreases a taxpayer's tax liability dollar-for-dollar, and the credit can be refunded to a taxpayer if they have no tax liability to offset.

What information will Treasury use to determine my rebate?
Treasury will use tax year 2019 returns if available. If a taxpayer has not filed for tax year 2019, Treasury can fall back on 2018 return information.

The rebates are tax credits that will be applied to 2020 tax returns but are advanced to taxpayers now based on their 2019 or 2018 adjusted gross income (AGI). The credit will be applied to 2020 tax returns using 2020's AGI next spring, and taxpayers will receive the difference of the credit if it is in their favor.

For example, if a single taxpayer with no children made $200,000 in 2019, they would not receive an advance rebate based on their 2019 income. However, if they make $35,000 in 2020, they will receive a $1,200 refundable tax credit on their 2020 tax return. But in reverse, if a taxpayer had a $35,000 AGI in 2019 but has $200,000 AGI in 2020, they would receive a $1,200 rebate now and would not have to pay it back on their 2020 tax return.

How much of a rebate will I receive?
Individuals with a Social Security Number (SSN) and who are not dependents may receive $1,200 (single filers and heads of household) or $2,400 (joint filers), with an additional rebate of $500 per qualifying child, if they have adjusted gross income (AGI) under $75,000 (single), $150,000 (joint), or $112,500 (heads of household) using 2019 tax return information. (The IRS will use 2018 tax return information if the taxpayer has not yet filed for 2019.) The rebate phases out at $50 for every $1,000 of income earned above those thresholds.

To see how much you will likely receive, you can find a stimulus calculator here:
https://interactive.wtol.com/CovidCalculator/Covid19StimulusCalculator.html

How do I get my rebate?
For most Americans, no action is required. The IRS will use data from the most current tax returns or Social Security data to provide a rebate to Americans either via direct deposit (if such information is available) or through a paper check in the mail to the last address on file.

Patricia McLaughlin, a spokeswoman for the Treasury, told The Post that 50 million to 70 million people would have their payments deposited by April 15 and that paper checks will start going out on April 24.

The Treasury is developing a web-based portal for individuals to provide their banking information to the IRS online. Taxpayers will be able to receive payments immediately as opposed to checks in the mail. The update should be posted here:
https://www.irs.gov/coronavirus/economic-impact-payment-information-center

Can I file taxes now for 2019 and have it applied for rebate eligibility?
Yes, taxpayers will qualify for the rebate if their Adjusted Gross Income is below the rebate thresholds depending on their filing status. If a taxpayer received Supplemental Social Security but not Social Security benefits and did not file for taxes in 2018 or 2019, the IRS recommends they file as soon as possible to ensure they receive the rebate.

What if I have not filed my taxes for 2019, is there still an opportunity to get my money?
Yes, the IRS will look at your 2018 tax return to check for rebate eligibility but has also advised all taxpayers expecting a refund to file their 2019 tax return as soon as possible. Social Security beneficiaries will still receive rebates even if they have not filed tax returns for 2018 or 2019; their rebates will be sent to the bank account associated with receiving benefits.

If I had high income in 2019 but lost my job, do I still qualify?
If a taxpayer's high income in 2019 puts them above the threshold, they may be in the phase-out range and remain eligible for a partial refund. If their income is lower in 2020 when they file taxes, any remaining credit that they are eligible for will also be refunded or deducted from their tax liability when they file taxes for 2020.

What if my income rises in 2020 and I received a higher rebate using my 2019 return?
There is no penalty for receiving a rebate based on a lower income on 2019 or 2018 tax returns. If a filer's eligible rebate rises when using 2020 tax returns that will be remedied on their 2020 return. If the filer is given too much, the IRS will not penalize them.

If my rebate is too large due to dependent eligibility mistakes, will I have to pay it back? Will my rebate be considered part of my taxable income in 2020?
No. Like all refundable tax credits (e.g., Child Tax Credit, Earned Income Tax Credit (EITC)), any part of the rebate, even in excess, is not considered as part of taxable income.

If my income drops in 2020, can I get additional rebate if I got a lower rebate based on 2019 income?
Yes, if a taxpayer's income drops in 2020, they will be eligible for any remaining rebates credit they were not able to claim using their 2019 or 2018 return.

If I make more income in 2020, do I have to pay any amount back?
No, if the amount of credit a taxpayer qualifies for in 2020 is less than it was based on their 2019 return, it does not have to be paid back and it is not considered taxable income.

How Does Social Security Impact Rebates? Will those receiving Social Security benefits still receive a rebate check?
Yes, all taxpayers are eligible for the rebate, including those receiving Social Security benefits, subject to the same eligibility rules as other taxpayers. Treasury Secretary Munching announced that these beneficiaries will not have to submit a separate tax return to receive a rebate. The payment will be sent directly to their bank account associated with those benefits.

Unemployment Insurance Changes

How did the law change one-week waiting periods before filing for unemployment insurance?
The new law incentivizes states to end one-week waiting periods by providing 100 percent federal financing of the first week for states without one-week waiting periods. It will be up to each individual state to remove existing one-week waiting periods.

Who qualifies for the expanded Pandemic Unemployment Insurance (PUI)?
Workers must meet these three qualifications: 1) ineligible for any other state or federal unemployment benefits; 2) unemployed, partially unemployed, or cannot work due to the COVID-19 public health emergency; and 3) cannot telework or receive paid leave.

This includes workers like those who are self-employed, independent contractors, gig economy workers, and those who do not have enough work history to qualify for regular benefits. These workers are now eligible for a temporary federal program called Pandemic Unemployment Assistance that provides 39 weeks of unemployment benefits.

How are benefits calculated under these expansions?
The Pandemic Unemployment Assistance benefit amount varies by state, is subject to a minimum, and is augmented by a new $600 weekly boost called Federal Pandemic Unemployment Compensation. The length of benefits is 39 weeks, which reflects the regular 26 weeks provided under state programs plus the temporary 13-week expansion provided by the new federal law. Specifically, benefits are calculated under state law based on recent earnings, with a minimum benefit requirement that is equal to half of the state's average weekly unemployment compensation amount.

How does the $600 weekly boost work?
The new law that created the $600 weekly boost is fully funded by the federal government to augment the regular unemployment benefit amount an unemployed worker receives. States are not authorized to reduce the amount or duration of their unemployment compensation during the time of the federal expansion.

Can someone laid off before the new law was passed qualify for the new benefits?
Yes. The $600 weekly boost will be provided as a supplement to those who are already receiving unemployment compensation at the state level.

Additionally, the newly created Pandemic Unemployment Assistance program provides benefits (including the $600 boost) for unemployment, partial unemployment, or inability to work that began on or after January 27, 2020 and ends on or before December 31, 2020. These benefits can be paid retroactively to those who qualify.

Is it true that people who were not laid off can also qualify?
Yes – in some cases.

Individuals who can provide self-certification that they had to quit for a specific COVID-19-related reason and who do not have the ability to telework with pay, or access paid sick leave or other paid leave benefits, may qualify for Pandemic Unemployment Assistance.

Some of the specific reasons workers could qualify without being laid off include otherwise being able to work except that they are unemployed, partially unemployed, or unavailable to work because of being diagnosed with COVID-19; a family member in their household has been diagnosed with COVID-19; they are caring for a family member with COVID-19; or they have to care for their child whose daycare or school is closed due to COVID-19.

Who determines if I qualify for the benefits?
State departments of labor will administer the expanded benefits as well as their existing benefit programs. Workers will need to file a claim with the unemployment insurance program in the state where they worked, and the states will determine whether workers qualify for benefits.

How long do these benefits last?
The federal expansion provides 13 "extra" weeks of benefits, meaning that in total, workers can qualify for up to 39 weeks of unemployment benefits during the COVID-19 public health crisis (26 weeks under state programs, plus 13 additional weeks provided by the federal government).

Federal expansions including the extra 13 weeks, the extra $600, and the extension to workers who previously didn't qualify will be in effect through December 31, 2020.

Are the new benefits taxable?
Yes. Regular unemployment insurance is counted as income and taxed on individual tax returns, and these expansions of unemployment insurance are likewise counted as income and taxable. Taxpayers will be required to disclose all their unemployment insurance benefits when they file their taxes.

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Payroll Tax Changes

Are there limits to the payroll tax credit that employers can apply to 50 percent of employee wages?
Employers may claim a 50 percent tax credit on the wages paid to employees from March 13 to December 31, 2020, up to a maximum of $5,000 credit per employee (applied to $10,000 of employee wages).

To qualify, firms must be suspended due to government actions related to coronavirus or experience a 50 percent decline in gross receipts during a calendar quarter when compared to the same quarter in the previous year. For firms with 100 employees or more, the credit can only be applied to employees not able to do their duties due to a business suspension or a lack of business.

If a firm is taking a loan through the Paycheck Protection Program, can it also take the payroll tax credit on workers?
If a firm takes a loan through the Paycheck Protection Program, it is not eligible to take the payroll tax credit on up to 50 percent of employee wages.

What is the difference between the payroll tax credit created for coronavirus-related paid sick and family leave and the payroll tax credit in the CARES Act?
The Families First Coronavirus Response Act created tax credits on employer-side Social Security payroll taxes to offset paid family and sick leave related to the coronavirus.

This credit is different from and unrelated to the 50 percent refundable tax credit on employee wages that firms can receive. The refundable tax credit is not dependent on employees taking qualified sick or family leave and was created as part of the CARES Act.

Employee Retention Tax Credit

The employee retention tax credit is a broad-based refundable tax credit designed to encourage employers to keep employees on their payroll. The credit is 50% of up to $10,000 in wages per employee paid by an employer whose business is fully or partially suspended because of COVID-19 or whose gross receipts decline by more than 50% in a quarter compared to the same quarter in the previous year.

Availability

1. To qualify, the employer must meet one of two alternative tests. The tests are calculated each calendar quarter – Either

    - the employer's business is fully or partially suspended by government order due to COVID-19 during the calendar quarter or

    - The employer's gross receipts are below 50% of the comparable quarter in 2019. Once the employer's gross receipts go above 80% of a comparable quarter in 2019, they no longer qualify after the end of that quarter.

Calculation of the Credit

- The amount of the credit is 50% of the qualifying wages paid up to $10,000 in total. It is effective for wages paid after March 13th and before December 31, 2020

The definition of qualifying wages varies by whether an employer had, on average, more or less than 100 employees in 2019

Less than 100. If the employer had 100 or fewer employees on average in 2019, then the credit is based on wages paid to all employees whether they actually worked or not. In other words, even if the employees worked full time and got paid for full time work, the employer still gets the credit.

Greater than 100. If the employer had more than 100 employees on average in 2019, then the credit is allowed only for wages paid to employees who did not work during the calendar quarter.

In both cases, "wages" includes not just cash payments but also a portion of the cost of employer provided health care.

Payment

Employers can be immediately reimbursed for the credit by reducing the amount of payroll taxes they have withheld from employees' wages that they are required to deposit with the Treasury. They may also file form 7200, requesting an immediate refund.

What if I've taken out a Paycheck Protection Program (PPP – see below for details) loan to help cover my payroll?

- In that case, the employee retention credit is not available to you.
- The credit provides an alternative to the SBA loan program for employers.
- That is why the credit is only available to employers who do not have a PPP Loan.
- Both programs seek to help business owners continue to cover payroll costs throughout the public health crisis.

How long will the credit be available?

- Generally, the employee retention credit will be available for the rest of 2020 (through December 31).
- If you qualify because your business has fully or partially closed, the credit is available to you until you reopen.
- If you qualify because your revenues have dropped by more than 50 percent, the credit is available to you until the first calendar quarter after your revenues have recovered to at least 80 percent of prior year amounts.

These revenue figures are calculated on a year-over-year quarterly basis. For example, you would compare gross revenue for the first quarter of 2020 to gross revenue for the first quarter of 2019.

How do I claim the credits?

- The credits can be claimed against employer payroll taxes on your quarterly payroll tax return (IRS Form 941).
- There will also be options to receive advance payments or defer paying payroll taxes
- Lookout for information and form updates from the IRS at www.IRS.gov and talk to your payroll service provider, if you use one.

What about covering other costs, like rent or utilities?

- The employee retention credit can only be claimed against wages.
- Expanded, low-costs loans are available through the Small Business Administration (SBA), which can help businesses cover some of these expenses.

New Small Business Loans under the Paycheck Protection Program (PPP)

The Paycheck Protection Program ("PPP") authorizes up to $349 billion in forgivable loans to small businesses to pay their employees during the COVID-19 crisis. ***All loan terms will be the same for everyone.***

The loan amounts will be forgiven if:

- The loan proceeds are used to cover payroll costs, and most mortgage interest, rent, and utility costs over the 8-week period after the loan is made; and
- Employee and compensation levels are maintained.

Payroll costs are capped at $100,000 on an annualized basis for each employee. Due to likely high subscription, not more than 25% of the forgiven amount may be for non-payroll costs.

Loan payments will be deferred for 6 months.

When can I apply?

- Starting April 3, 2020, small businesses and sole proprietorships can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders.
- Starting April 10, 2020, independent contractors and self-employed individuals can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders.
- Other regulated lenders will be available to make these loans as soon as they are approved and enrolled in the program.

Where can I apply?

You can apply through any existing SBA lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Other regulated lenders will be available to make these loans once they are approved and enrolled in the program. You should consult with your local lender as to whether it is participating. Visit www.sba.gov for a list of SBA lenders.

Who can apply?
All businesses – including nonprofits, veterans' organizations, Tribal business concerns, sole proprietorships, self-employed individuals, and independent contractors – with 500 or fewer employees can apply.

Businesses in certain industries can have more than 500 employees if they meet applicable SBA employee-based size standards for those industries (click HERE for additional detail).

For this program, the SBA's affiliation standards are waived for small businesses (1) in the hotel and food services industries (click HERE for NAICS code 72 to confirm); or (2) that are franchises in the SBA's Franchise Directory (click HERE to check); or (3) that receive financial assistance from small business investment companies licensed by the SBA. Additional guidance may be released as appropriate.

What do I need to apply? You will need to complete the Paycheck Protection Program loan application and submit the application with the required documentation to an approved lender that is available to process your application by June 30, 2020. Click HERE for the application.

What other documents will I need to include in my application? You will need to provide your lender with payroll documentation.

Do I need to first look for other funds before applying to this program? No. We are waiving the usual SBA requirement that you try to obtain some or all the loan funds from other sources (i.e., we are waiving the Credit Elsewhere requirement).

How long will this program last? Although the program is open until June 30, 2020, we encourage you to apply as quickly as you can because there is a funding cap and lenders need time to process your loan.

How many loans can I take out under this program? Only one.

What can I use these loans for?

- Payroll costs, including benefits
- Interest on mortgage obligations, incurred before February 15, 2020
- Rent, under lease agreements in force before February 15, 2020; and
- Utilities, for which service began before February 15, 2020.

What counts as payroll costs? Payroll costs include:

- Salary, wages, commissions, or tips (capped at $100,000 on an annualized basis for each employee)
- Employee benefits including costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit
- State and local taxes assessed on compensation; and
- For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at $100,000 on an annualized basis for each employee.

Does the PPP cover paid sick leave?
Yes, the PPP covers payroll costs, which include employee benefits such as costs for parental, family, medical, or sick leave. However, it is worth noting that the CARES Act expressly excludes qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act (FFCRA) (Public Law 116–127).

How large can my loan be?
Loans can be for up to two months of your average monthly payroll costs from the last year plus an additional 25% of that amount. That amount is subject to a $10 million cap. If you are a seasonal or new business, you will use different applicable time periods for your calculation. Payroll costs will be capped at $100,000 annualized for each employee.

How much of my loan will be forgiven?
You will owe money when your loan is due if you use the loan amount for anything other than payroll costs, mortgage interest, rent, and utilities payments over the 8 weeks after getting the loan. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.

You will also owe money if you do not maintain your staff and payroll.

- Number of Staff: Your loan forgiveness will be reduced if you decrease your full-time employee headcount.
- Level of Payroll: Your loan forgiveness will also be reduced if you decrease salaries and wages by more than 25% for any employee that made less than $100,000 annualized in 2019.
- Re-Hiring: You have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.

How can I request loan forgiveness?
You can submit a request to the lender that is servicing the loan. The request will include documents that verify the number of full-time equivalent employees and pay rates, as well as the payments on eligible mortgage, lease, and utility obligations. You must certify that the documents are true and that you used the forgiveness amount to keep employees and make eligible mortgage interest, rent, and utility payments. The lender must decide on the forgiveness within 60 days.

What is my interest rate?
1.00% fixed rate.

When do I need to start paying interest on my loan?
All payments are deferred for 6 months; however, interest will continue to accrue over this period.

When is my loan due?
In 2 years.

Can I pay my loan earlier than 2 years?
Yes. There are no prepayment penalties or fees.

Do I need to pledge any collateral for these loans?
No. No collateral is required.

Do I need to personally guarantee this loan?
No. There is no personal guarantee requirement.
However, if the proceeds are used for fraudulent purposes, the U.S. government will pursue criminal charges against you.

What do I need to certify?
As part of your application, you need to certify in good faith that:

- Current economic uncertainty makes the loan necessary to support your ongoing operations.
- The funds will be used to retain workers and maintain payroll or to make mortgage, lease, and utility payments.
- You have not and will not receive another loan under this program.
    - You will provide to the lender documentation that verifies the number of full-time equivalent employees on payroll and the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight weeks after getting this loan.
    - Loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.
    - All the information you provided in your application and in all supporting documents and forms is true and accurate. Knowingly making a false statement to get a loan under this program is punishable by law.
    - You acknowledge that the lender will calculate the eligible loan amount using the tax documents you submitted. You affirm that the tax documents are identical to those you submitted to the IRS. And you also understand, acknowledge, and agree that the lender can share the tax information with the SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program Requirements and all SBA reviews.

Economic Injury Disaster Grants and Loans (EIDL)

The Coronavirus Aid, Relief, and Economic Security (CARES) Act expands the Small Business Administration's long-standing Economic Injury Disaster Loan Program (EIDL). The EIDL program was created to assist businesses, renters, and homeowners located in regions affected by declared disasters

Who is eligible?
In general, all of the following entities that have suffered substantial economic injury caused by a disaster provided they were in existence on January 31, 2020:

- Businesses with fewer than 500 employees
- Cooperatives, ESOPs, and tribal small businesses with fewer than 500 employees
- Sole proprietors
- Independent contractors
- Most private nonprofits

What are these grants/loans?
There are two types of grants/loans that fall under this category:

1. The first is a grant created by the stimulus bill Congress recently passed. This grant includes $10 billion in funding to provide an advance of $10,000 to all small businesses and nonprofits that apply for an SBA economic injury disaster loan (EIDL) within three days of applying for the loan.
2. The second is the already existing EIDLs, which are loans of up to $2 million that carry interest rates up to 3.75 percent for companies and up to 2.75 percent for nonprofits, as well as principal and interest deferment for up to 4 years.The loans may be used to pay for expenses that could have been met had the disaster not occurred, including payroll and other operating expenses.

What if I apply for the EIDL grant in the stimulus but subsequently get denied a loan under the EIDL program?
The EIDL grant does not need to be repaid, even if you are subsequently denied a loan under EIDL, and may be used to provide paid sick leave to employees, maintain payroll, meet increased production costs due to supply chain disruptions, or pay business obligations, including debts, rent and mortgage payments.

These grants go to businesses and other entities that suffer substantial economic injury as a result of the declared disaster, regardless of whether you sustained physical damage.

Who is eligible for the EIDL grant in the stimulus package Congress recently passed?
Eligible entities include:

- Small business concerns and small agricultural cooperatives that meet the applicable size standard for SBA.
- Private nonprofits, including local chambers of commerce
- A cooperative with not more than 500 employees
- A tribal business concern, and
- ESOPs with not more than 500 employees or an individual who operates under a sole proprietorship, with or without employees, or as an independent contractor

Eligible grant recipients must have been in operation on January 31, 2020.

How do I know if my business is a small business?
Visit https://www.sba.gov/size-standards/ to find out if your business meets SBA's small business size standards. You will need the 6-digit North American Industry Classification Code for your business and your business's 3-year average annual revenue.

My private nonprofit is not a 501(c) (3). Is it still eligible for an EIDL and a grant?
Yes, if you are a private non-profit with an effective ruling letter from the IRS, granting tax exemption under sections 501(c), (d), or (e) of the Internal Revenue Code of 1954, or if you can provide satisfactory evidence from the State that the non-revenue producing organization or entity is a non-profit one organized or doing business under State law. However, a recipient that is principally engaged in teaching, instructing, counseling, or indoctrinating religion or religious beliefs, whether in a religious or secular setting, or primarily engaged in political or lobbying activities is not eligible to receive an EIDL.

What other criteria can the SBA Administrator use or not use to determine if my business is eligible for the grant in the stimulus?
The Administrator may approve an applicant based solely on the credit score of the applicant and cannot require an applicant to submit a tax return or a tax return transcript for such approval.

- The Administrator can also use alternative appropriate methods to determine an applicant's ability to repay.
- Additionally, the Administrator will waive any rules related to a personal guarantee on advances and loans of not more than $200,000 during the covered period (the period beginning on January 31, 2020 and ending on December 31, 2020) for all applicants.
- The Administrator will also waive the requirement that an applicant needs to be in business for the 1-year period before the disaster, except that no waiver may be made for a business that was not in operation on January 31, 2020.
- The Administrator will also waive the requirement that an applicant be unable to obtain credit elsewhere.

What can I use the grant for?
The grant may be used to cover the following:

- Providing paid sick leave to employees unable to work due to the direct effect of the COVID–19
- Maintaining payroll to retain employees during business disruptions or substantial slowdowns
- Meeting increased costs to obtain materials unavailable from your original source due to interrupted supply chains
- Making rent or mortgage payments
- Repaying obligations that cannot be met due to revenue losses

If I get an EIDL loan, can I also apply for a PPP loan?
Yes. A business that receives an EIDL between January 31, 2020 and June 30, 2020 as a result of a COVID-19 disaster declaration is eligible to apply for a PPP loan or the business may refinance their EIDL into a PPP loan.

In either case, the emergency EIDL grant award of up to $10,000 would be subtracted from the amount forgiven in the payroll protection plan.

However, you cannot use your EIDL for the same purpose as your PPP loan. For example, if you use your EIDL to cover payroll for certain workers in April, you cannot use PPP for payroll for those same workers in April, although you could use it for payroll in March or for different workers in April.

How long are EIDL grants available?
January 31, 2020 – December 31, 2020. The grants are backdated to January 31, 2020 to allow those who have already applied for EIDLs to be eligible to also receive a grant.