

Tax & Financial Connector

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ISSUE 5

COVID-19 Financial Impacts

Over the past few weeks, our federal and state governments have instituted unprecedented guidelines and provided significant resources to help individuals stay safe during the COVID-19 pandemic.

Below are some of the key economic and tax provisions that have been implemented. As a general comment – over the past two weeks, new guidance has come out almost every day between the federal and state authorities. Several of these provisions are complex. ***Our best advice is to contact our office if you have questions and to discuss how the relief provisions can help your situation.***

Tax Deadlines

	Federal	DC	MD	VA **	Others
2019 Tax Filing Deadline	July 15, 2020	July 15, 2020	July 15, 2020	May 1, 2020 **	Please contact our office
2019 Tax Payment Deadline	July 15, 2020	July 15, 2020	July 15, 2020	May 1, 2020 **	
2020 Q1 Payment Deadline	July 15, 2020	April 15, 2020 *	April 15, 2020 *	May 1, 2020 **	

As of March 28, 2020

* - DC, MD, and VA have all addressed their 2019 tax filing deadlines. DC and MD have not specifically addressed 2020 individual Q1 payments. Therefore, the deadlines remain the original deadlines. This may change with further guidance.

** - Virginia's Governor Ralph Northam requested that the Department of Taxation extend the due date for certain Virginia income tax payments to June 1, 2020. The relevant filing deadlines will remain the same. **However, the extension to June 1, 2020 would only afford taxpayers relief regarding penalties. Interest will continue to accrue from the original due date of May 1, 2020. Therefore, we encourage taxpayers to pay by May 1, 2020 so they can avoid exposure to interest charges.**

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Federal Stimulus & Relief Efforts

On March 27th, President Donald Trump signed into law the CARES Act. The \$2 trillion bill is the most recent emergency stimulus measure enacted by our federal government during this crisis. The Act includes benefits for both businesses and individuals. To summarize the key provisions that will affect most individuals and businesses reading this newsletter:

- **Cash Recovery Payments:** Eligible single individual taxpayers will receive \$1,200, and eligible married filing jointly taxpayers will receive \$2,400. Eligibility will be determined based on the taxpayer's adjusted gross income ("AGI"). Single taxpayers qualify with AGI of \$75,000 or less, and married filing jointly taxpayers qualify with AGI of \$150,000 or less. Individuals can receive a "phased-out" rebate if their AGI exceeds these levels. In addition, qualifying children will generate an additional \$500.

The AGI determination will be based on your already filed 2019 income tax return or based off your 2018 income tax return if 2019's return has not been filed yet.

- **Paycheck Protection Program ("PPP"):** \$350 billion was authorized to go to small businesses to keep their workers employed. This program provides loans to small businesses who maintain their payroll during the pandemic. The best caveat of the program is these loans may be forgiven if borrowers keep their employees through the pandemic or restore their payrolls afterwards.

Small businesses and self-employed individuals can obtain funding through any lending institution that is approved to participate through the US Small Business Administration lending program (as of March 28th, a list of qualifying Small Business Administration lenders was being compiled by the US Chamber of Commerce).

Loans can be up to 2.5 times the borrower's average monthly payroll costs, not to exceed \$10 million. There are exclusions that apply.

- **IRA and retirement plan distributions:** Investors can withdraw up to \$100,000 from their retirement accounts. There would not be a 10% early withdrawal penalty, and the CARES Act allows for the distributions to be taxed ratably over three years.
- **Unemployment insurance expansion:** Individuals now have increased and extended access to unemployment benefits to help them get through the pandemic.
- **Suspension of Required Minimum Distributions:** For 2020, individuals will not be required to take a required minimum distribution from their 401(k) or IRA.
- **Charitable contribution opportunity:** Up to \$300 of charitable contributions can be taken as an above-the-line deduction for taxpayers that utilize the standard deduction. In addition, the 60% AGI limitation for charitable contributions for taxpayers that do itemize their deductions is waived.
- **Temporary repeal of 80% NOL limitation and relaxing of carryback rules:** For corporations that incurred a net operating loss in 2018 or 2019, or are anticipating a loss in 2020, this provision affords them the ability to use 100% of their losses. In addition, it provides corporations with the ability to carryback losses and offset taxable income from a prior year. This potentially provides for an amended return refund opportunity.

Our Take: This is an immense stimulus package to help Americans get through this challenging time. We anticipate the PPP loans will be the fastest way for businesses to get much-needed liquidity. For the Cash Recovery Payments, our estimate is it will take longer to provide direct deposits and/or checks to taxpayers. A reasonable assumption is it will be the end of April or early May.

States' Responses & Relief Efforts

The response to this crisis has been different in each state. Most of our clients reside in Maryland, so we will summarize components of Maryland's relief efforts below. For additional information on other states, the American Institute of Certified Public Accountants ("AICPA") and National Governors Association ("NGA") have done a great job tracking each state's guidance and various relief actions. Below are links to their continuously updating reports. You may also contact our office for specific questions:

- AICPA: [AICPA Coronavirus State Filing Relief](#)
- NGA: [NGA Coronavirus State Resources & Actions](#)

Maryland

Maryland Governor Larry Hogan announced on March 23rd \$130 million in programs to provide relief to small businesses that have been impacted by the COVID-19 outbreak. The programs are intended to provide short-term relief to pay for business operating expenses, such as payroll, rent, and debt obligations.

- **Emergency Relief Loan Fund:** Provides potentially no-interest loans up to \$50,000 for Maryland businesses with less than 50 employees. The terms are 0% interest for 12 months, then 2% for the remaining 36 months. Read more about the program here: [Maryland Emergency Relief Loan Fund](#)

Click here to apply: [Maryland Emergency Relief Loan Fund Application](#)

- **Emergency Relief Grant Fund:** Provides up to \$10,000 in grants to small businesses with less than 50 employees. The business must have annual revenues of less than \$5 million, be in good standing with Maryland, and have evidence that the business is expected to seek longer term funding through its bank, SBA, or other sources. Read more about the program here: [Maryland Emergency Relief Grant Fund](#)

Click here to apply: [Maryland Emergency Relief Grant Fund Application](#)

- **Emergency Relief Manufacturing Fund:** Grants up to \$100,000 will be made available to manufacturers to either increase existing capacity to produce Critical Need Items, or quickly pivot operations to produce Critical Need Items. Critical Need Items – in general – include items needed to help fight the COVID-19 pandemic. This includes items such as N95 masks, surgical gowns, thermometers, face shields, gloves, hand sanitizer, and ventilators. Read more about the program here: [Maryland Emergency Relief Manufacturing Fund](#)

Click here to apply: [Maryland Emergency Relief Manufacturing Fund Application](#)

Maryland has also created a FAQ dedicated page regarding these programs. Here is a link to that page: [FAQ of Emergency Relief Programs](#)

Our Take: Maryland has been very aggressive in their response to this crisis. We anticipate that these programs will be popular amongst individuals and small businesses in the state. Therefore, if a small business owner is interested in applying for either the Loan Fund, Grant Fund, or Manufacturing Fund, we advise that you start the process sooner than later. Also, for the federal stimulus efforts and the effects on the states – as of today – it's unclear how the states will conform. They may automatically conform if the state follows the guidance of the federal Internal Revenue Code. But in these unprecedented times and as states navigate their own budgets, it's too early to say how they will proceed.

Please take care of each other and stay well.

About Wolf Tax Advisory

Wolf Tax Advisory LLC is a tax, accounting, and business consulting practice based in Annapolis, MD. We believe in providing a five-star, full-service financial and tax advisory experience for our business and individual clients.

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