

WEBINAR

COVID-19 Business Resources Webinar

Tax Updates: The Impact of the CARES Act on Businesses

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Bobby LaCour

PARTNER, ALDRICH CPAs + ADVISORS

Bobby has over fifteen years of experience in public accounting while serving his clients in the government, nonprofit, and private middle-market sectors.

He specializes in providing consulting, attest and accounting services, in addition to an extensive background in internal control and operations analysis.



Carrie Sowders

PARTNER, ALDRICH CPAs + ADVISORS

Carrie specializes in serving large and middle market companies, primarily in the consumer and industrial products sectors. Carrie has exclusively practiced in tax since beginning her career in 1998. Prior to joining Aldrich in 2009, She spent a decade with Deloitte and oversaw the tax function of a publicly traded consolidated group of companies. Her background is rich in experience with multi-state operations, transactions, cross-border taxation and ongoing tax consulting and compliance.

Carrie received her degree from Washington State University and remains active with the AICPA and OSCP.

Coronavirus Aid, Relief and Economic Security Act (CARES Act)

- Signed into law March 27, 2020
- Several business provisions in the Act provide for:
 - Employer Payroll Tax Payment Delay
 - Employer Retention Credit
 - Changes to the Net Operating Loss (NOL) Rules
 - Alternative Minimum Tax (AMT) Credit
 - Technical Corrections to Qualified Improvement Property (QIP)
 - Changes to the Interest Limitation Rules
 - Increased Charitable Contribution Limitations

The information provided herein does not, and is not intended to, constitute legal advice; instead, all information, content, and materials available are for general informational purposes only. Readers of this presentation should contact their attorney to obtain advice with respect to any particular legal matter. The information was updated as of April 21, 2020 and we recognize it may change. Please contact your Aldrich Advisor for the most up to date information for your situation.

Employer Payroll Tax Payment Delay

- All employers, of all sizes may defer the payment of the employer's 6.2% share of Social Security payroll taxes
 - Starts from date of enactment to December 31, 2020
 - Payment of these taxes due in equal parts on December 31, 2021 and December 31, 2022
 - Deferment is not allowed for employers that have had a Paycheck Protection Program (PPP) Loan forgiven



Employee Retention Credits

- Employers can receive refundable quarterly payroll tax credit
 - If the employer is closed partially or fully due to government mandates
 - Has a significant decrease in gross receipts
 - Credit is limited to 50% of qualifying wages paid to eligible employees
 - Employers are also not eligible for this credit if they received a PPP Loan



Alternative Minimum Tax (AMT) Credit

- Accelerated usage of previously generated AMT credits, offset tax liabilities
 - AMT credit carry forward from Tax Cuts and Jobs Act (TCJA)
 - Accelerate the AMT credit into 2019
 - Consider electing the entire remaining refundable credit in 2018

Changes to the Net Operating Loss (NOL) Rules

- Corporate & individual NOLs can be carried back up to five years (2018-2020)
- Suspension of 80% of limitation to allow taxpayers to fully deduct losses
- Special rules for Section 965(a) income inclusion years



Qualified Improvement Property (QIP) Corrections

- Qualified Improvement Property (QIP) updated depreciable life to 15 years
- Eligible for 100% bonus depreciation
- Retroactive to original passage on the TCJA, eligible for 2018 and 2019 tax years



Changes to the Interest Limitation Rules

- Business interest temporarily reduced from 30% to 50% on applicable income
- Consider to use 2019 adjustable tax income in computing 2020 limitation
- Change is valid for the 2019 and 2020 tax years

Increased Charitable Contribution Limitations

- Corporate taxpayers have increased deductible charitable contribution limitation from 10% to 25% of taxable income for 2020
 - Contribution must be made during the 2020 calendar year
 - Business must elect to receive the benefit of increased charitable deduction for any qualified contributions
 - Carry over of excess contributions for succeeding taxable years



Let's Talk About It...

- Once funding has been approved, check with your SBA lender for details
 - Once the loan is funded, employers have 8 weeks to spend the funds
 - 75% loan proceeds to be on payroll, only 25% allowed on specific operations
- Prepare for loan forgiveness, considerations:
 - A separate bank account for receipts and systematic transfer of funds to cover the outlay of weekly authorized costs
 - A cost center with COVID designation if your accounting system supports this
 - Tag eligible expenses to the new accounts or cost center
 - Know what documentation your lender will require after 8 weeks to substantiate the loan forgiveness
 - SBA may provide a form employers will need to complete with the support
- Talk to your trusted business advisors, they can help you navigate this process.



Carrie Sowders

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