

Corporate and Tax Law Alert: Summary of Benefits for Businesses during the Coronavirus Pandemic

As the coronavirus (COVID-19) continues to affect local communities and global economies, you may have concerns about your company's financial well-being and the well-being of your employees, or you may be wondering about how recently passed legislation impacts you and your business. We're providing a high-level summary of some of the key provisions impacting businesses, and we recommend discussing your particular circumstances with us in more detail.

Relief available

Several recently enacted tax changes and new or expanded benefits might be helpful to you.

Income tax filing and payment deadlines:

- The IRS has provided broad relief, extending the April filing and payment deadlines to July 15, 2020.
- Federal estimated tax payments due on or after April 1, 2020 and before July 15, 2020 can now be made on July 15, 2020 without penalty. Therefore, both the April 15, 2020 and the June 15, 2020 federal estimated tax payments are due July 15, 2020.
- New York State estimated tax payments due on or after April 15, 2020 can also be paid as late as July 15, 2020 without penalty. To date, however, June 15, 2020 estimated tax payments still need to be made on or before June 15, 2020.

Employee retention and payroll tax credits:

- A refundable tax credit has been created to assist employers in retaining employees. The credit is computed at 50% of qualified wages up to \$10,000 per employee, paid by eligible employers between March 13, 2020 and December 31, 2020. However, an employer that has any of its loans forgiven under the Payroll Protection Program is ineligible for these credits.
- Subject to limitations and exceptions, employers with fewer than 500 employees are required to provide mandatory sick time and paid family leave, but are eligible for payroll tax credits to offset the costs. Eligible self-employed individuals also qualify for the credits. Healthcare providers and emergency responders are excluded; employers with fewer than 50 employees can be exempted. An employer that has any of its loans forgiven under the Payroll Protection Program is ineligible for this credit.
- Employers (including self-employed individuals) will be able to postpone their share of Social Security taxes through the end of this year. The delayed payments are due in 2 equal installments, on December 31, 2021 and December 31, 2022. However, again, an employer that has any of its loans forgiven under the Payroll Protection Program is ineligible to defer payroll taxes.

Small Business Administration (SBA) loans:

- Small businesses are eligible to apply for an Economic Injury Disaster Loan grant of up to \$10,000. Funds should be made available within 3 days of a successful application, and this grant will not have to be repaid.

Small businesses may also apply for a loan through the Payroll Protection Program. This program is designed to help provide capital to cover the cost of retaining employees. While the first round of funds from these loans has been fully disbursed, the federal government has approved a second round of loans. A business is only eligible for one Payroll Protection Program loan.

Other business provisions:

- Unfortunately, many businesses are facing current losses due to the economic impacts from the pandemic. A 5-year carryback is now allowed for losses arising in tax years 2018, 2019 and 2020 to help businesses recoup some of their prior taxes.
- Interest expense deduction limitations are more taxpayer favorable. Under prior legislation, net interest expense was limited to 30% of adjusted taxable income. This limitation has been increased to 50% for tax years 2019 and 2020.
- The law has been modified with respect to depreciation of qualified improvement property to allow for a faster write-off. Under prior legislation, this type of property was required to be depreciated over 39 years. This depreciation period has now been reduced to 15 years and these assets are now eligible for bonus depreciation, which will allow for an immediate deduction of the entire cost of the property.
