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WHAT THE FEDERAL AND STATE GOVERNMENT IS DOING TO HELP YOU WITH COVID-19

April 2, 2020

As a result of the COVID19 Pandemic, both federal and state governments have issued relief in many forms individuals and businesses This summary is meant to provide general information on what is available. Please be aware that this new legislation is very fluid and is subject to change. We will provide additional information as it becomes available.

FOR INDIVIDUALS

- Federal AND state extensions on filing and paying **income taxes** until 7/15/20. The filing and payment extensions apply to individuals, trusts & estates. You do not have to file an extension for this relief.
- Extensions on paying **estimated tax payments** until 7/15/20 (Q1).
- The IRS has mandated that employers with less than 500 employees provided extended paid sick leave benefits. This should entitle you to:
 - Up to 2 weeks paid sick leave if you are sick with COVID 19 symptoms or an actual diagnosis.
 - May be eligible for up to 10 weeks Paid Family Leave to care for a sick family member or children who are home from school.
 - We encourage you to contact your employer.
- **EXPANDED UNEMPLOYMENT & DISABILITY BENEFITS** (where employer is not providing)

DISABILITY:

- Waiving the one week waiting period to claim benefits
- For individuals who have been diagnosed with COVID-19
- For individuals who are experiencing symptoms of COVID-19 and have been ordered to quarantine themselves at home.
- For individuals who must care for a family member that is ill or quarantined or out of school.

To apply for Disability Insurance if you are sick:

<https://edd.ca.gov/Disability/How to File a DI Claim in SDI Online.htm>

UNEMPLOYMENT:

- **Additional increase in unemployment of \$600 per week for 4 months, in addition to state unemployment**
- **Extension of employment benefits through 12/31/20**
- **Self-employed individuals and sub-contractors eligible for unemployment**

To apply for Unemployment Benefits if you are cannot work due to COVID-19 restrictions:

<https://edd.ca.gov/Unemployment/Filing a Claim.htm>



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➤ Economic Impact Payments to Taxpayers:

The passing of the CARES Act on 3/27/20 included approval of IRS issuance of Economic Impact Payments as follows:

- Payment of \$1200 per person or \$2400 per married couple to be issued in 3 weeks
- Parents will also receive \$500 per qualifying child (under age 17)
- Payments will be available through 2020
- Payments will be direct deposited or mailed based on the following income levels:

Single Filers: Adjusted Gross Income of up to \$75,000 – phases out at \$99,000

Married Filers: AGI of up to \$150,000 – phases out at \$198,000

Head Of Household Filers: AGI of up to \$112,500

Phase out decreased by \$5 for every \$100 over the threshold

- Income determination will be based on 2019 or 2018 tax return where 2019 has not yet been filed.
- Checks or direct deposits will be distributed automatically.
- Social Security, Disability earners will receive an automatic payment based on SSI records
- The IRS will provide a portal to include checking & routing information for direct deposit where not already provided on tax return.
- Low income earners with no filing requirement will be provided instructions on filing a “simple return for payment eligibility.

➤ Cares Act additional relief measures:

- Penalty free retirement distributions of up to \$100,000; taxes can be paid over 3 years.
- 401k Loan maximum increased from \$50,000 to \$100,000 with extended payback terms.
- Required minimum distributions suspended for 2020
- Potential Student Loan interest relief through Department of Education
- **Charity.** There is a new provision that provides an above-the-line deduction for charitable contributions, plus, the limits on charitable contributions are changed.

FOR BUSINESSES



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- Federal and State extensions on filing and paying **income taxes** until 7/15/20. This applies to partnerships, corporations, associations, and companies. You do not have to file an extension for this relief.
- Extensions on paying **estimate tax payments** until 7/15/20.
- Discretionary relief from filing and paying **Sales Tax** until 7/15/20.
 - If you are unable to file or pay your sales tax prepayments or sales tax, you can request relief by logging into your account with the CDTFA. Contact Lee@KHahnCPA.com for additional information.
- CA Payroll Tax Relief – Employers directly affected by COVID 19 may request up to a 60-day extension of time from the EDD to file their state payroll reports and/or deposit payroll taxes without penalty or interest. A written request for extension must be received within 60 days from the original delinquent date of the payment or return
- **Mandated Emergency Paid Sick Leave Act & Payroll Tax Credits:**
 - Employers have been mandated to pay up to 80 hours of paid sick leave and expanded paid child care leave when employees' children's schools are closed or child care providers are unavailable.
 - The IRS is providing tax credits to give funding relief. To take immediate advantage of the paid leave credits, businesses can use funds that they would otherwise pay to the IRS in payroll taxes. If those amounts are not sufficient to cover the cost of paid leave, employers can seek an expedited advance from the IRS by submitting a streamlined claim form that will be released soon.
 - Health insurance costs are also included in the credit (allocated portion to be determined).
 - Self-employed individuals receive an equivalent credit.
- Paid Leave Credits subject to **limitations:**
 - 100% of paid gross sick leave wages can be taken as a tax credit against the EMPLOYER social security tax only. This credit does not include employee withholdings or any portion of Medicare taxes.
 - **The Paid Sick Leave Credit is limited to:**
 - For sick employee: \$511 per day for up to 10 days or \$5110 per employee
 - For employee caring for others: 2/3 of employee's wages, up to \$200 per day for up to 10 days
 - **Child Care Leave Credit is limited to:**
 - For employees who must stay home to care for children out of school: 2/3 of employee's wages, up to \$200 per day for a maximum of 10 weeks or \$10,000 in aggregate.



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➤ **Small Business Protection**

- Employers with fewer than 50 employees are eligible for an exemption from the requirements to provide leave to care for a child whose school is closed, or child care is unavailable in cases where the viability of the business is threatened. It is not yet clear if small employers will be exempt from the sick leave pay portion of the mandate.
- Additional federal funding has been provided for the SBA and lenders to provide **loans to small businesses** suffering from restrictions due to the COVID Virus. These loans can become forgiven debt (not required to pay back) if business meets certain requirements. Please contact your local banker or go to the SBA website for more information. These are low interest rate loans. See our SBA Loan flyer for more details.
- Delay in the payment of employer's portion of 2020 payroll taxes until 2021 and 2022.
- Net Operating Loss 80% limitation lifted and can be carried back 5 years.
- Interest expense limitations increased to 50% (up from 30%).

Our office is working as diligently as possible to provide information of value to you during these challenging times. There is a lot of information circulating out there, including speculation. Should you have any questions or hear about a form of relief not mentioned, please email Lee@Khahncpa.com. We will make every attempt to promptly respond to your emails.