
THE TAX CONSEQUENCES OF COVID-19





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COVID-19 Relief Overview

❑ Employee Retention

- Families First Coronavirus Response Act (FFCRA)
- Employee Retention Credit (ERC)
- Paycheck Protection Plan (PPP)

❑ Business Funding

- Economic Injury Disaster Loan (EIDL)
- Paycheck Protection Plan (PPP)
- Small Business Debt Relief Program (SBDPR)

❑ Tax Relief Provisions

- Tax payment extensions
- Tax filing extensions
- Abatement of penalty and interest
- Recovery rebate
- CARES tax code changes
- Employer payroll tax credits

Families First Coronavirus Response Act (FFCRA)

(March 18, 2020)

Expanded medical leave

- Emergency Paid Family and Medical Leave (EFML)
- Emergency Paid Sick Leave (EPSL)

Employer payroll tax credits

- Reduce payroll tax deposits on Form 941
- Refundable credit on Form 7200

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

(March 25, 2020)

Employee Retention

- Employee Retention Credit (ERC)
- Payroll Protection Plan (PPP)

Funding Business

- Economic Injury Disaster Loan (EIDL)
- Payroll Protection Plan (PPP)

Individual Taxpayer Relief

- Recovery Rebates
- Tax Code changes

Tax Relief—More Time

Extended Time to File

- Income tax returns due April 15, 2020 extended to July 15, 2020.
 - IRS, Oklahoma and many other states have extended to July 15th.
- IRA, HSA, MSA and Employer Retirement Plan contributions extended to July 15, 2020.
- Gift (and GSTT) tax returns extended to July 15.
- Employment, Excise, Information, Benefit Plans,
 - **Estate: NOT extended.**

Tax Relief—More Time

Extended Time to Pay

- Income tax payments due April 15, 2020 extended to July 15, 2020.
 - IRS, Oklahoma and many other states have extended to July 15th.
 - That means no interest, penalties or additions to tax for the period April 16 to July 15.
 - Next payment date for many individuals is June 15, 2020, second quarter estimated tax payment.
- Employer share of FICA deposits delayed.
 - Taxes incurred from 3/27/2020 through 12/31/2020
 - Half of required tax due by 12/31/2021
 - Half of required tax due by 12/31/2022

Tax Relief—More Time

- IRS: Payments already scheduled for April 15, 2020 may be re-scheduled for July 15, 2020
 - IRS will not do this for you. You must take action to re-schedule
 - If you scheduled a payment through IRS Direct Pay, you can use your confirmation number from the payment to access the Look Up a Payment feature. You can modify or cancel a scheduled payment until two business days before the payment date. The email notification you received when you scheduled the payment will contain the confirmation number.
 - If you scheduled a payment through Electronic Federal Tax Payment System (EFTPS), click on Payments from the EFTPS home page, login, then click Cancel a Tax Payment from the left menu and follow the instructions. You must do so at least two business days before the scheduled payment date.
 - If you scheduled a payment as part of filing your tax return (authorizing an electronic funds withdrawal), you may revoke (cancel) your payment by contacting the U.S. Treasury Financial Agent at 888-353-4537. You must call to make a payment cancellation request no later than 11:59 p.m. ET two business days prior to the scheduled payment date.
 - If you scheduled a payment by credit card or debit card, contact the card processor to cancel the card payment

Tax Relief—More Time

- Oklahoma Tax Commission: Payments already scheduled for April 15, 2020 may be re-scheduled for July 15, 2020
- The Oklahoma Tax Commission realizes many taxpayers may have already scheduled their 2019 income tax payment to be withdrawn on a future date. Due to concerns related to the COVID-19 health crisis, taxpayers may now need to cancel and reschedule these payments to be withdrawn at a later date. [Click here to fill out a form that will allow you to cancel the payment you previously scheduled](#). Please follow the directions on the form to submit and **do not** mail the form to the Oklahoma Tax Commission – you will need to submit it by email to banking@tax.ok.gov
- Form 511-SP: <https://www.ok.gov/tax/documents/511-SP.pdf>

Time Extensions Chart

Chart

Tax Section



Federal due dates chart updated for COVID-19 relief

For use in complying with federal tax return due dates as modified by [IRS Notice 2020-18](#) and [IRS Notice 2020-20](#). See the AICPA's state due dates chart updated for COVID-19 relief for state details.

Return/form type	Original due date	Revised due date	Extended date and notes
Individuals			
Form 1040	April 15	July 15	October 15 Interest and late-payment penalties will be waived on payments from April 16 through July 15.
Form 1040-ES installment 1	April 15	July 15	N/A
Form 1040-ES installment 2	June 15	N/A	N/A
Partnerships and S corporations			
Form 1065 Form 1120-S	15 th day of the 3 rd month after the end of the entity's tax year; due March 15 for a calendar-year entity	N/A for calendar-year entity; per IRS FAQs , Jan. 31 fiscal-year entities' due date is postponed to July 15	Automatic extension period of six months; due September 15 for a calendar-year entity. See Form 7004. Per IRS FAQs , the due date for a July 30 fiscal-year entity that was extended on October 15 to April 15 is postponed to July 15.
C corporations			
Form 1120	15 th day of the 4 th month after the end of the entity's tax year (except for a June 30 fiscal-year entity); due April 15 for a calendar-year entity 15 th day of the 3 rd month after the end of the entity's tax year for a June 30 fiscal-year entity; due September 15	July 15 for calendar-year entities	Automatic extension period of six months; due October 15 for a calendar-year entity. C corporations with tax years ending June 30 are eligible for an automatic extension period of seven months (six-month extension if filing Form 1120-POL). See Form 7004. Relief includes the following forms per IRS FAQs : 1120, 1120-C, 1120-F, 1120-FSC, 1120-L, 1120-ND, 1120-PC, 1120-REIT, 1120-SF, 8991 (payments due under Sec. 59A).
Calendar year estimated tax installment 1	April 15	July 15	Corporations required to make estimated payments may include S corporations, tax-exempt corporations, tax-exempt trusts and domestic private foundations.
Calendar year estimated tax installment 2	June 15	N/A	N/A
Form 4466 (Application for Quick Refund of Overpayment of Estimated Tax)	No later than the due date for filing the corporation's tax return (not including extensions)	N/A	N/A

Reviewed March 30, 2020

Federal due dates chart updated for COVID-19 relief | 1

Return/form type	Original due date	Revised due date	Extended date and notes
Trusts and estates			
Form 1041	15 th day of the 4 th month after the end of the entity's tax year; due April 15 for a calendar-year entity	July 15	Automatic extension period of 5½ months; due September 30 for a calendar-year entity. See Form 7004. Relief includes the following forms per IRS FAQs : 1041, 1041-N, 1041-QFT, 8960.
Estate tax returns			
Form 706	Due within nine months after the date of the decedent's death	N/A	Automatic six-month extension is available. See Form 4768.
Gift tax returns			
Form 709	April 15 (of the year after the gift was made)	July 15	IRS Notice 2020-20 provides relief for filing and payment of gift (and generation-skipping transfer) tax returns originally due April 15.
Exempt organizations			
Form 990 (series)	15 th day of the 5 th month after the end of the entity's tax year; due May 15 for a calendar-year entity	N/A	Automatic extension period of six months; due November 15 for a calendar-year entity. See Form 8868.
Employee benefit plans			
Form 5500 (series)	Last day of the 7 th calendar month after the end of the plan's tax year; due July 31 for a calendar-year plan. See Form 5500 instructions for exceptions for direct filing entities (DFEs).	N/A	One-time extension that is no later than the 15 th day of the 3 rd month after the return/report's normal due date; due October 15 for a calendar-year plan. See Form 5558.
FinCEN			
Form 114/FBAR	April 15	N/A	October 15. An automatic extension is available with no request for an extension required.
Information returns/payroll returns/excise tax returns			
Various forms	Various due dates	N/A	Relief does not include postponement of filing or payment for information returns, payroll returns or excise tax returns.

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Federal due dates chart updated for COVID-19 relief | 2



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More Time--Resources

IRS Filing and Payment Deadlines FAQs

- <https://www.irs.gov/newsroom/filing-and-payment-deadlines-questions-and-answers>

Oklahoma Tax Commission: COVID-19 Information & Updates

- https://www.ok.gov/tax/COVID-19_Information_and_Updates.html

CARES Act Tax Provisions

- ❑ **Charitable Contributions**
 - Above-the-line deductions up to \$300
 - Annual limits raised:
 - Individuals: 60% of AGI to 100%
 - Corporations: 10% to 25%
 - Food Donations: 15% to 25%
- ❑ **Retirement Plans**
 - Required Minimum Distributions (RMDs) suspended for 2020
 - Waiver 10% early withdrawal penalty is used for *coronavirus-related purpose*
 - Coronavirus-related purpose: taxpayer or spouse (i) diagnosed with COVID-19; or (ii) suffer financial adversity due to quarantine, laid-off, furlough or lack of childcare
 - Distributions may be repaid within 3 years to avoid taxation
 - Any taxation payable over 3 years
 - Payments on existing loans up to \$100,000 suspended for one year
- ❑ **Payroll Tax Delay**
 - 50% delayed until 12/31/21
 - 50% delayed until 12/31/22
 - 50% of Self-employed tax applies
- ❑ **High-Deductible Health Plans**
 - Include telemedicine and some over-the-counter products
- ❑ **Interest Limitation**
 - Increased from 30% to 50% for 2019 and 2020
- ❑ **Corporate AMT**
 - Refundable credit for 2018 and 2019
- ❑ **Aviation Excise Tax**
 - Suspended until 2021
- ❑ **Qualified Improvement Property**
 - Expensed immediately (was 15-year)

Recovery Rebates (CARES Act)

❑ Amounts:

- Individuals: \$ 1,200
- Joint Filers: \$ 2,400
- Qualifying Child: \$ 500

❑ Phaseouts:

- Individuals: \$ 75,000 – 99,000
- Joint Filers: \$ 150,000 - \$198,000
- Head of Household: \$ 112,500 – 156,500

❑ Qualifications:

- Amount based on 2018/2019 tax return
- Senior and non-filers **not** required to file
- Payment deemed an advance refund of 2020 tax
- Exclusions:
 - Nonresident aliens
 - Individuals claimed as dependents
 - Estates and trusts

Employee Retention Credit

(Sec. 2301 of CARES Act)

- ❑ **Two Components**
 - Payroll Tax Credit: up to \$5,000 per employee on Form 941
 - Refundable Credit: employers receive credit against payroll tax deposits (payroll taxes withheld)

- ❑ **Eligibility Requirements**
 - Trade or Business: operations during 2020
 - Financial Hardship: satisfy one of the following:
 - ***Suspended Operations***: business operations have been **fully or partially suspended** during the 2020 calendar year due to governmental orders limiting commerce, travel or group meetings due to COVID-19; or
 - ***Significant Decline in Gross Receipts***: at least 50% reduction in revenue in a 2020 calendar quarter compared to same quarter in 2019.
 - Exclusions:
 - State and local government
 - Self-employed individuals
 - Small businesses utilizing the PPP
 - Can not use same wages if also claiming FFCRA
 - Tax-exempts:
 - Tax-exempts qualify, including 501(c)(6)
 - 501(c)(3) and (c)(19) must choose between ERC and PPP

Employee Retention Credit

(Sec. 2301 of CARES Act)

❑ Suspended Operations

- Example: State Governor issues Executive Order to close operations and shelter-in-place resulting in full or partial suspension of operations or trade or business.

❑ Significant Decline in Gross Receipts

- Begins: the first quarter of 2020 when gross receipts are less than 50% of gross receipts in the same quarter of 2019
- Ends: the first quarter of 2020 *following* the first quarter of 2020 when gross receipts are greater than 80% of gross receipts for the same quarter of 2019
- Result: ERC allowed for *entire* quarter beginning when gross receipts are below 50% of 2019 and continues *through* the quarter when gross receipts exceed 80% of 2019

Employee Retention Credit

(Sec. 2301 of CARES Act)

- ❑ **Employer Credit (per employee basis)**
 - Computation: 50% of qualifying wages in the first quarter of eligibility
 - Maximum Wages: \$10,000 for all quarters per employee
 - Qualifying Wages: include:
 - Compensation actually paid; and
 - Portion of employer-provided health care
 - Includable Wages:
 - Employers with over 100 Employees: Only wages paid for time employee did **not provide services** due to (i) suspension of operations; or (ii) significant decline in gross receipts
 - Employers with under 100 Employees: All wages paid, even if employee did not work
- Refundable Credit: Employers claim credit on Form 941
 - If credit exceeds payroll tax withheld: use **Form 7200** to obtain additional refund

Paycheck Protection Plan

- ❑ **Provides Funding for Payroll and Recovery**
 - Loans up to \$10 million to fund payroll for 8 weeks
 - Tax benefit provides additional cash flow later in year

- ❑ **Loans Intended to be Grants**
 - Loans converted to grants if proceeds used for qualified expenses
 - Non-taxable – no cancellation of indebtedness income
 - Loans repaid ***only*** if proceeds used for unintended purpose

- ❑ **Small Business Only**
 - Less than 500 employees
 - Independent Contractors and Sole Proprietors qualify
 - 501(c)(3) and (c)(19) if less than 500 employees
 - Tribal businesses
 - Exceptions:
 - Accommodation/Food Service (NAICS 72) is no more than 500 per location
 - Affiliation rules waived for franchises

Paycheck Protection Plan

- ❑ **Loan Amount**
 - 2.5 times average payroll costs for preceding last 12 months
 - Increase by any outstanding EIDL loans
 - \$10 million maximum

- ❑ **Average Payroll Costs**
 - Includes:
 - Salary, wages, commissions, cash tips
 - Paid leave for vacation, parental, family, medical and sickness
 - Allowance for employee dismissal or separation
 - Payment for group healthcare benefits
 - Employee retirement benefits
 - State and local income tax
 - Exclusions:
 - Compensation exceeding \$100,000 for any single employee
 - Compensation paid to an employee residing outside of the US
 - **Employer's share of Federal employment taxes**
 - ~~Federal income taxes withheld~~
 - Wages already subject to credit under FFCRA

Paycheck Protection Plan

Loan Forgiveness

- Requirements:
 - Loans used for **qualified expenses**
 - Loans used to fund no more than 8 weeks of operations
 - Employee headcount not reduced
 - At least 75% of loan used for payroll costs
- Qualified Expenses:
 - Payroll
 - Rent
 - Utilities
 - Mortgage interest

Loans Not Forgiven

- No payments for 6 months
- Maximum rate of 1%
- Maximum term is 2-years

Paycheck Protection Plan

- ❑ **All Fees Paid by SBA**
 - Fees paid directly to Lender
 - Agent fees are paid out of Lender fees and can not collect fees from applicant

- ❑ **Lender Fees**
 - 5% of loan up to \$350,000
 - 3% of loans from \$350,000 to \$2 million
 - 1% of loans exceeding \$2 million

- ❑ **Agent Fees**
 - 1% of loan up to \$350,000
 - 0.5% of loans from \$350,000 to \$2 million
 - 0.25% of loans exceeding

PAYCHECK PROTECTION PROGRAM

How are we supposed to calculate payroll costs for the previous year in determining the 2 1/2 months our loan is based on - is that the 2019 calendar year or the previous 12 months?



PAYCHECK PROTECTION PROGRAM

In capping an individual's wage at \$100,000, do we need to figure out what part of the company's 401K contribution is allocated to those wages in excess of \$100,000? What amount do we use in calculating health insurance costs for these highly compensated people?

EMPLOYERS WITH MORE THAN 500 EMPLOYEES

Are there any federal or state programs for mid-sized companies other than the deferred payment of employer federal taxes?



EMPLOYERS WITH MORE THAN 500 EMPLOYEES

Are there any plans for programs to ensure companies greater than 500 are also able to remain financially sound?



EMPLOYERS WITH MORE THAN 500 EMPLOYEES

What is the payroll tax credit in the CARES Act? Could that help us retain our employees? Is regulatory guidance available on this credit yet?



PROPERTY TAX

With the 30-day deferment on property taxes, do companies and individuals still have to file protests on change of value or have those deadlines been extended, as well?

PROPERTY TAX

How will this 30-day deferment impact bond indebtedness?



SALES TAX

Will retailers still be expected to submit sales tax collections to state and local entities on time or have those deadlines been extended?



SALES TAX

Is there any change in sales tax collection for businesses still operating?





QUESTIONS?



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THANK YOU

