



DAVIS, NAGY & COMPANY LLC

March 27, 2020

To our Valued Clients:

So much has changed in the week since we last reached out to you. We hope that you are all staying healthy. As you may have heard, Congress has passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act. It contains many programs for both individuals and small businesses, and we wanted to make you aware of some of the provisions.

Individual relief includes:

- There will be a one-time tax rebate check of \$1,200 per individual and \$500 per child. There are no earned income requirements, and the full rebate is available for those with incomes at or below \$75,000 for individuals, \$112,500 for head of household, and \$150,000 for married couples.
 - Above these income levels, the benefit is phased out with a \$5 reduction for every \$100 over these limits that is earned. The rebate completely phases out at \$99,000 for single filers, \$146,500 for head of household, and \$198,000 for joint filers with no children.
 - The IRS will be using direct deposit whenever possible.
- Expanded unemployment benefits –
 - The federal government will cover the cost of additional benefits of up to \$600 per week through July and providing for an additional 13 weeks of regular benefits beyond the normal 26 weeks.
 - The benefits would be available to workers who are unemployed due to their own illness, illness in a family member, the necessity to quarantine, job loss because of the virus, and staying home to take care of a child whose school or child care is closed because of the virus. It excludes those who can telework for pay, or who are already receiving paid sick leave or other paid leave benefits.
- Student loan payments are deferred on all federal owned student loans. This includes both principal and interest through September 30, 2020, without penalty
 - For the remainder of 2020, employers can repay up to \$5,250 of an employee's student loans without that payment counting toward the employee's taxable income.
- Individuals can deduct up to \$300 in cash contributions in 2020, regardless of whether they itemize their deductions.
- Required minimum distributions from retirement plans are waived for 2020.
 - Individuals who have experienced adverse financial consequences as a result of COVID-19 are able to make withdrawals of up to \$100,000 from their retirement funds without having to pay the 10% penalty normally incurred for individuals under 59 ½.

- Loans from certain retirement plans will be allowed for those experiencing adverse financial consequences so that their funds can remain invested and benefit from market growth.

Business relief includes:

- The Paycheck Protection Program, operated through the SBA's 7(a) loan program, would provide for loans of up to 2.5 times the employer's average monthly payroll at a maximum interest rate of 4%.
 - The portion of the loan used to keep employees on payroll, make rent or mortgage payments, utilities, insurance, or certain other costs during an 8-week period beginning on the loan date, would be forgiven on June 30th.
 - Amounts not forgiven would convert to a 10-year loan.
- Employers that have closed or have suffered economic hardship and continue to pay employees that are on leave may be eligible for a 50% credit on up to \$10,000 of wages paid.
- Employers and self-employed individuals can defer payment of payroll taxes incurred during 2020. Half would be paid by the end of 2021, and half by the end of 2022.
- The loss limitation for pass-through businesses is modified, allowing them to deduct excess business losses. In addition, losses from 2018, 2019, and 2020 can be carried back to the previous 5 years, creating refunds.
- The SBA will pay all principal, interest, and fees on all existing SBA loans for 6 months.

As you may know, the deadline for filing and paying federal taxes due April 15, 2020 has been pushed back to July 15, 2020. We have received some clarification on a few related items this week. First, the extension is for returns and payments due 4/15/20 and includes any first quarter estimates due. Please note that it does not include the second quarter estimate due 6/15/20. So, your second quarter estimate will have a due date earlier than your first quarter estimate.

The Ohio legislature has passed a bill extending the state filing deadline to July 15. It is awaiting a signature by the Governor. We do not have clarity yet on local tax filings.

Our office remains closed through April 6th. We are working remotely and have access to email and phones. We are again encouraging you to mail your information to us, or request that we set up portal access for you to upload your documents. If you would like access and are not already registered, please email ken@davisnagycpa.com and we will create an account for you. You are then able to upload your documents to us and we are able to upload tax returns back to you.

We have additional information regarding unemployment benefits, sick pay, and SBA loans on our website at www.davisnagycpa.com.

We appreciate your patience while we complete your returns. We have had many additional obstacles this tax season and are working diligently to complete your returns as soon as possible.

Our thoughts are with you and your families.

Sincerely,

Kathy and Sharon