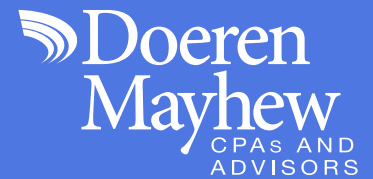


COVID-19 Tax Toolkit



The current COVID-19 pandemic has brought sweeping changes to the overall business community. To aid in navigating these challenging times, Doeren Mayhew has compiled a tax toolkit for Houston business owners, which includes an overview of COVID-19 related tax news and changes, as well as how and where to obtain financial relief and assistance.

Tax Due Dates

Federal and State Taxes	New Due Date
Form 1041 (Estates and Trusts), Form 1120 (C Corporations), Form 1040 (Individual)	<i>Extended to July 15</i> (Extension is automatic, and taxpayers do not need to file any additional forms. Additionally, there are no penalties or interest.)
Form 1120-W, Form 1040-ES and Form 1041-ES, Plus 1 st and 2 nd Quarter Payments	<i>Extended to July 15</i> (Extension is automatic, and taxpayers do not need to file any additional forms. Additionally, there are no penalties or interest.)
Texas Franchise Tax Filing and Payment	<i>Extended to July 15</i> (Extension is automatic, and taxpayers do not need to file any additional forms. Additionally, there are no penalties or interest.) ** Franchise taxpayers that cannot file by July 15 may request an extension, but they must pay 90% of the tax due for the current year or 100% of the tax reported as due for the prior year with the extension request.
S Corporations and Partnerships	Eligible partnerships have the ability to file amended returns in lieu of filing an administrative adjustment request (AAR) to take advantage of the Coronavirus Aid, Relief, and Economic Security (CARES) Act legislation.

New Tax Credits

	Eligibility	Credit Details
Sick and Family Leave	<p>Sick and Family Leave: An employee who is unable to work (including telework) because of coronavirus quarantine or self-quarantine or has coronavirus symptoms and is seeking a medical diagnosis is entitled to paid sick leave.</p>	Employer is entitled to a fully refundable tax credit up to \$511 per day, but no more than \$5,110 in total.
	<p>Caring for Someone with Coronavirus: An employee who is unable to work due to caring for someone with coronavirus, or caring for a child because the child's school or place of care is closed, or the paid child care provider is unavailable due to the coronavirus is entitled to paid sick leave.</p>	Employer is entitled to a fully refundable tax credit up to \$200 per day, but no more than \$2,000 in total.
	<p>Care for Children Due to Daycare or School Closure: An employee who is unable to work because of a need to care for a child whose school or place of care is closed or whose childcare provider is unavailable due to the coronavirus, is also entitled to paid family and medical leave.</p>	Employer is entitled to a fully refundable tax credit up to \$200 per day and \$10,000 in total.
Employee Retention Credit	<p>Employers that carry on a trade or business during the calendar year 2020, including a tax-exempt organization, are eligible for this credit if they either:</p> <ul style="list-style-type: none"> Fully or partially suspend operations due to COVID-19, or Experience a 50% decline in gross receipts during a calendar quarter compared to the same quarter in 2019. 	<p>A fully refundable tax credit for employers that is equal to 50% of qualified wages that eligible employers pay their employees. ERC applies to qualified wages paid after March 12, 2020, and before Jan. 1, 2021.</p> <p>The maximum amount of qualified wages taken into account with respect to each employee in total is \$10,000, so that the maximum credit for an eligible employer for qualified wages paid to any employee is \$5,000.</p>
Payroll Tax Deferral	Provides an advance refund of the payroll tax credits.	Defers the payment of the employer's matching portion of FICA. This applies to payroll taxes due from March 27, 2020 until Dec. 31, 2020. One-half of the deferred taxes are required to be deposited by Dec. 31, 2021, and the remaining balance must be deposited by Dec. 31, 2022.

Additional Tax Considerations

The CARES Act introduced other significant changes to the current tax law. Below is an outline of key provisions small business owners should consider so as to create liquidity:

- **Qualified Improvement Property:** Allows for depreciation as a 15-year property and bonus depreciation for property acquired and placed in service after Sept. 27, 2017.
- **Net Operating Losses:** For business losses arising in 2018, 2019 and 2020, a 5-year carryback is allowed. Businesses will be able to amend or modify tax returns for tax years dating back to 2013 in order to take advantage of the carryback.
- **Business Interest Expense Limitation:** Adjusted taxable income limitations have been amended from 30% of adjusted taxable income based on earnings before income tax, depreciation and amortization (EBITDA) to 50% for 2019 and 2020.

Financial Relief

Below are additional opportunities for small businesses to obtain financial assistance:

Provision	Summary	Eligibility	Amount Forgiven	Additional Considerations
Paycheck Protection Program	<ul style="list-style-type: none"> • Provides Small Business Administration (SBA) loans and has a feature that may make the loan forgivable if: <ul style="list-style-type: none"> • All employees are kept on the payroll for eight weeks. • The money is used for payroll, rent, mortgage interest and utilities. • Loan has a maturity of two years and interest rate of 1%. • SBA fees will also be waived and there is a deferment of payments for six months. 	<ul style="list-style-type: none"> • Employer must have fewer than 500 employees and have been affected by COVID-19. • There are some exceptions for businesses with more than 500 employees based on their ownership structure and what industry they are in. • There are also considerations if an organization has investors and how other holdings are handled through the affiliate rules. 	<ul style="list-style-type: none"> • Sum of covered payments made during the eight weeks from the beginning date the loan is received, not to exceed the loan amount. • Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels, and will be reduced if full-time headcount declines, or if salaries and wages decrease compared to other periods in 2019 or 2020. • May also be reduced if an employer reduces compensation for their employees in excess of 25%. 	<ul style="list-style-type: none"> • Based on the initial demand for this loan, employers are encouraged to act quickly. • If an employer accepts this loan, they will not be able to take advantage of the employee retention payroll tax credits and the payroll tax deferral.

Provision	Summary	Eligibility	Amount Forgiven	Additional Considerations
Harris County COVID-19 Forgivable Loan Program	<ul style="list-style-type: none"> Aims to help businesses impacted by the pandemic by offering zero-interest, forgivable loan to meet ordinary and necessary operating expenses and obligations. Loan can be used for working capital - payroll, accounts payable, other bills and expenses incurred prior to or due to economic injury. Offers up to a \$25,000. Includes a 5-year term with a 3-month grace period. No prepayment penalty. 	<ul style="list-style-type: none"> Must be a business located in Harris County. Business must have been in operation on or before Jan. 1, 2019. Property taxes must be in good standing as per the Harris County Tax Office. Must provide evidence of how business revenue has been and/or will be negatively impacted because of government restrictions or other challenges due to COVID-19. A business qualifies if it has a tangible net worth not more than \$15 million, and an average net income of \$5 million or less after federal income taxes for the preceding two years prior to application. 	<ul style="list-style-type: none"> 100% of loan forgiven after five years pending program compliance. Businesses may have the option of applying loan forgiveness proceeds to their tax bill. 	<p>May be used in conjunction with other disaster loan programs and will not duplicate the proposed use of loan proceeds for these programs.</p>
Emergency Economic Injury Disaster Loans (EIDL) Grants	<ul style="list-style-type: none"> Provides economic relief to all small business owners currently experiencing a temporary loss of revenue. Grant will be received within three days of application acceptance to maintain payroll, provide paid sick leave and to pay other debt obligations. 	<p>Employer must have fewer than 500 employees and qualify as a small business owner under the SBA guidelines modified by the CARES Act.</p>	<p>Considered an emergency grant, which is an advancement of \$10,000.</p>	<p>Cannot be used in addition to the Paycheck Protection Program, but it can be rolled into it.</p>

For more information on COVID-19 tax news and updates, please visit bit.ly/DM-Coronavirus-Resource-Center.