

Covid-19 and Tax Relief for Individuals and Corporations Under the Cares Act

April 16, 2020

1.5 CLE hours



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Biography



Professor Francine J. Lipman brings to the Boyd School of Law an exceptional record as an accountant, a lawyer, a teacher, and a scholar. After working as a CPA in an international accounting firm and as the Chief Financial Officer for a chain of retail jewelry stores, Professor Lipman turned to law where she served as the Editor in Chief of the UC Davis Law Review and was recognized as an Outstanding Law Student and a member of the Order of the Coif. Following a similarly stellar record in NYU's Graduate Tax Law Program, where she was a Tax Law Review Scholar, she practiced law with O'Melveny & Myers LLP and Irell & Manella LLP. Professor Lipman joined the faculties of Chapman University's School of Business and Economics in 2001 and the School of Law in 2003.

Professor Lipman is an elected member of the American Law Institute, the American College of Tax Counsel, and the American Bar Foundation, and an editor and former committee chair for the Tax Section of the American Bar Association. She has been a visiting professor at UC Hastings College of Law and the University of Nevada, Las Vegas. In 2016, Governor Brian Sandoval appointed, and in 2020 Governor Steve Sisolak reappointed, Professor Lipman to serve as Nevada Tax Commissioner. The Nevada Tax Commission consists of eight Nevadans with various professional and business backgrounds.

The Commissioners supervise the overall administration and operations of the Nevada Department of Taxation. Professor Lipman has written extensively on tax and accounting issues for legal journals, including the Wisconsin Law Review, Florida Tax Review, Virginia Tax Review, SMU Law Review, Nevada Law Journal, American University Law Review, Harvard Environmental Law Review, Harvard Latino Law Review, Harvard Journal on Legislation, The Tax Lawyer, The Practical Tax Lawyer, Taxes and Tax Notes. Professor Lipman is a frequent speaker on tax subjects to law and business groups.

COVID-19 & TAX MATTERS

Francine J. Lipman, William S. Boyd Professor of Law, UNLV

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COVID-19 AND TAX MATTERS ARE DYNAMIC WHAT IS AN UNDERSTATEMENT?

CHECK OUT [IRS.GOV](https://www.irs.gov) & YOUR LOCAL STATE TAXING
AUTHORITIES ONLINE FOR REGULAR UPDATES

MANY THINGS ARE CHANGING ON A DAILY BASIS SO
CHECK RELIABLE RESOURCES ROUTINELY

DON'T BLAME THE MESSENGER, BUT DO CONTACT
YOUR REPRESENTATIVES WITH CONCERNS

THESE GRASSROOTS EFFORTS HAVE RESULTED
IN MEANINGFUL CHANGES

WE ARE IN THIS TOGETHER & WE ARE STRONGER
TOGETHER



AUTOMATIC POSTPONEMENT OF DEADLINES



FILING AND PAYMENT FOR OTHERWISE DUE ON APRIL 15TH TAX RETURNS ARE POSTPONED UNTIL JULY 15TH WITHOUT ANY ACTION BY TAXPAYERS



INDIVIDUAL INCOME TAX RETURNS FILING DATE CAN BE ELECTRONICALLY EXTENDED AUTOMATICALLY UNTIL OCTOBER 15TH (USE FREE FILE FILLABLE FORMS) <https://www.irs.gov/filing/free-file-do-your-federal-taxes-for-free>



ANY APPLICABLE INTEREST AND PENALTIES WILL ACCRUE STARTING JULY 16



IRS IS NOT PROCESSING PAPER RETURNS OR CORRESPONDANCE/ USE ELECTRONIC METHODS FOR PAYMENTS/DIRECT PAY/TRANSCRIPTS/REFUNDS

PEOPLE FIRST INITIATIVE



INSTALLMENT AGREEMENT PAYMENTS FROM APRIL 1 UNTIL JULY 15 ARE SUSPENDED (INTEREST WILL ACCRUE)



OFFERS IN COMPROMISE DEADLINES AND PAYMENTS ARE SUSPENDED UNTIL JULY 15



LIENS & LEVIES ARE SUSPENDED, HIGH-INCOME NON-FILERS WILL BE PURSUED



NO NEW PASSPORT CERTIFICATIONS FOR SERIOUSLY DELINQUENT TAXPAYERS



PRIVATE DEBT COLLECTION NO NEW ACCOUNTS



EIC WAGE VERIFICATION REQUESTS WILL BE SUSPENDED UNTIL JULY 15



TAX COURT CALENDAR CANCELLED THRU JUNE 30

2020 REBATE RECOVERY TAX CREDIT (**ECONOMIC IMPACT PAYMENT**) BASICS



NEW TAX CREDIT FOR 2020 UP TO \$1,200 FOR INDIVIDUALS (\$2,400 FOR MARRIED FILING JOINTLY TAXPAYERS) AND AN ADDITIONAL \$500 PER QUALIFYING CHILD



PHASES-OUT TO \$0 STARTING AT \$75K (SINGLE), \$150K (MFJ), OR \$112.5K (HOH) BY \$5 FOR EVERY \$100



SOCIAL SECURITY NUMBER VALID FOR WORK REQUIRED FOR ANY CREDIT (BOTH SPOUSES UNLESS ONE IS A MEMBER OF THE ARMED FORCES)



CANNOT BE CLAIMED AS A DEPENDENT ON ANOTHER TAXPAYER'S TAX RETURN AND RECEIVE THE CREDIT



NONRESIDENT ALIENS DO NOT QUALIFY FOR THE CREDIT



NO REFUND OFFSETS EXCEPT FOR OVERDUE CHILD SUPPORT

QUALIFYING CHILD (CAN BE A GRANDCHILD, NIECE, NEPHEW, BROTHER, SISTER, BUT MUST BE UNDER AGE 17 ON 12.31.20)

ADVANCED ECONOMIC IMPACT PAYMENTS

FIRST PAYMENTS SENT OUT 4.10.20

IRS PORTAL WILL PROVIDE STATUS

IRS W/MAIL LETTERS 15 DAYS POST PAYMENT



BASED UPON INFORMATION FROM 2019 (OR IF NOT FILED 2018) TAX RETURNS FILED INCLUDING DIRECT DEPOSIT ACCOUNT (DDA) INFO & MAILING ADDRESSES

NOT CLEAR IF DEPENDENTS WILL BE AGE ADJUSTED
IRS PORTAL ALLOWS ADDING DDA AND ADDRESS CHANGES



SOCIAL SECURITY & RR RETIREMENT & SOCIAL SECURITY DISABILITY INCOME BENEFICIARIES WHO DO NOT FILE, IRS WILL USE DATABASE INFORMATION




NONFILERS (SSI AND VA) CAN ENTER INFORMATION FOR THE ADVANCE EIP ONLINE AT THE [IRS WEBSITE](#)




TAXPAYERS WILL RECONCILE THE EIP WITH THE ACTUAL RECOVERY REBATE CREDIT WHEN THEY FILE 2020 RETURNS IN 2021. ANY OVERPAYMENT WILL NOT HAVE TO BE PAID BACK, AND ANY ADDITIONAL AMOUNT WILL BE AN ADDITIONAL REFUNDABLE TAX CREDIT FOR 2020 PAID IN 2021


**MORE
INDIVIDUAL
INCOME TAX
BENEFITS UNDER
THE CARES ACT**




**PENALTY FOR FAILURE TO WITHDRAW 2020
REQUIRED MINIMUM DISTRIBUTIONS FROM
RETIREMENT ACCOUNTS ARE WAIVED**



**MAY WITHDRAW UP TO \$100K FROM A RETIREMENT
ACCOUNT IN 2020 WITHOUT 10% EARLY
WITHDRAWAL PENALTIES, MAY ELECT TO PICK IT UP
AS INCOME OR PAY IT BACK OVER 3 YEARS**



**LOAN LIMIT FROM RETIREMENT ACCOUNTS NOT
TREATED AS A DISTRIBUTION IS INCREASED TO \$100K**



**EXCLUSION FROM GROSS INCOME FOR EMPLOYER
STUDENT LOAN PAYMENTS OF UP TO \$5,250 FOR 2020**

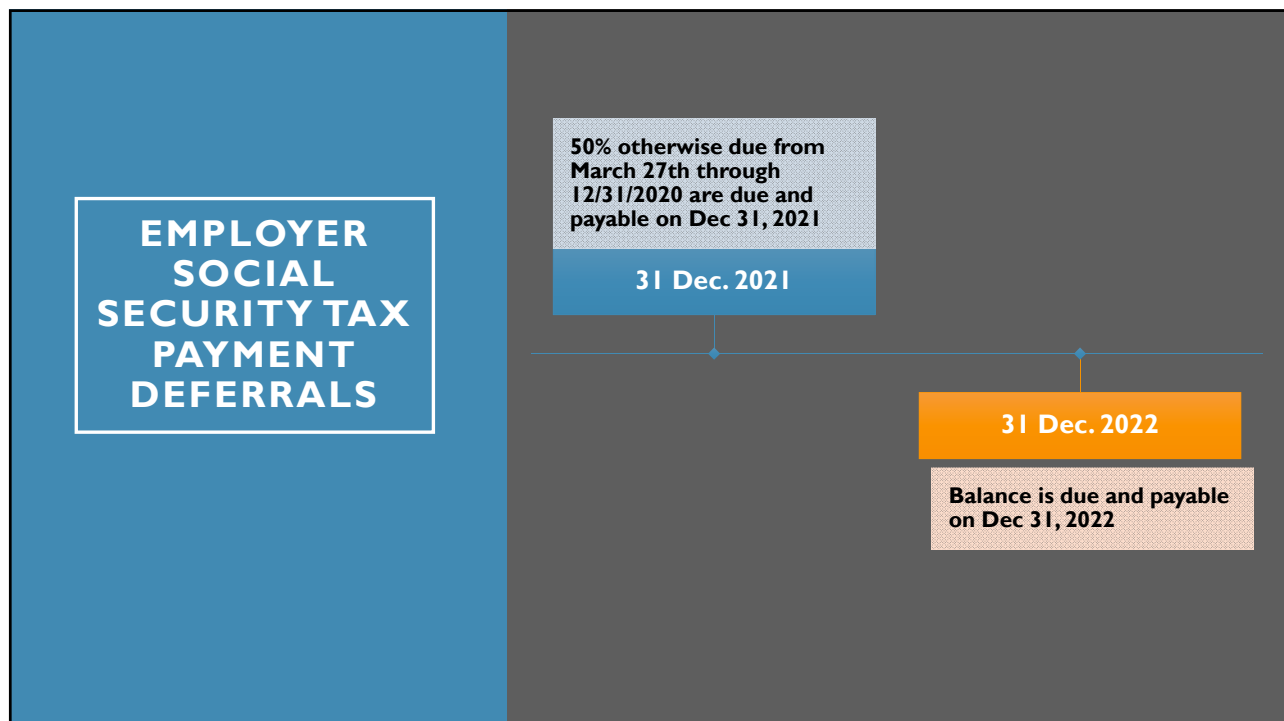
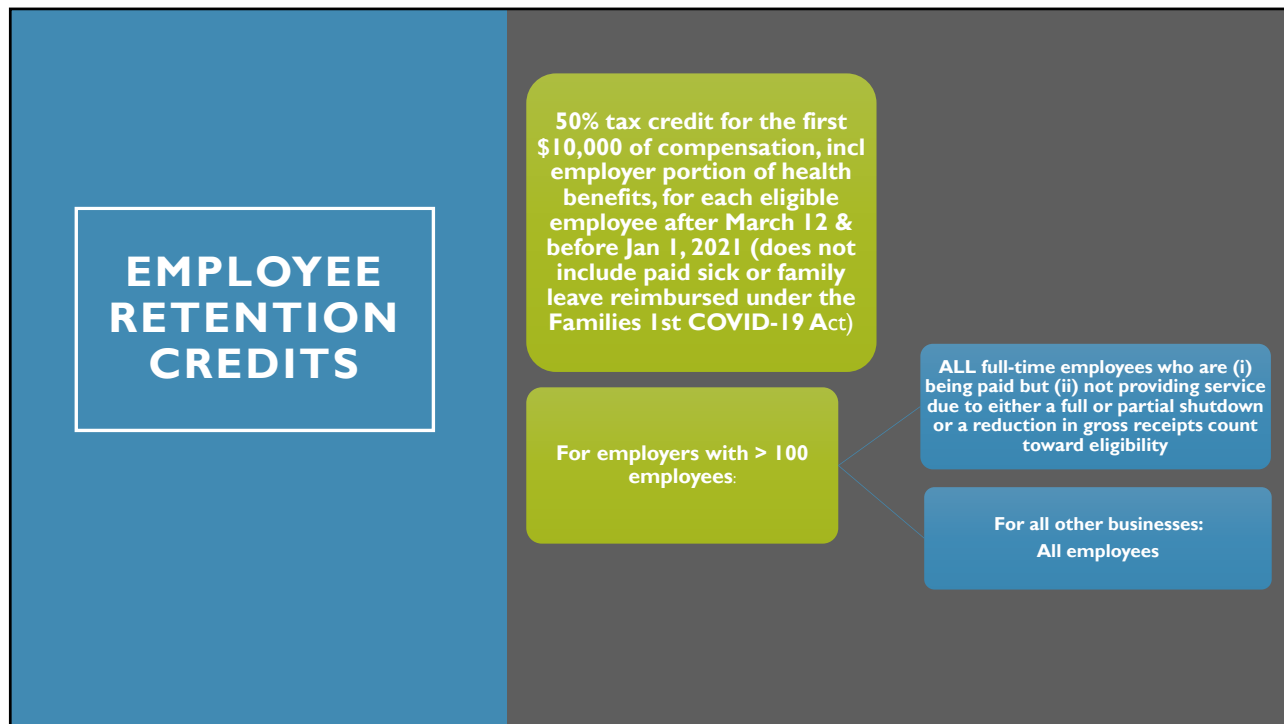
**BUSINESS
PROVISIONS
PAYROLL TAX
CREDITS &
DEFERRALS**

**PAID SICK,
FAMILY LEAVE &
RETENTION
CREDITS**

**PAYROLL TAX
DEFERRAL
PAYMENTS**

	<p>Federal government is subsidizing COVID-19 continued payroll w/Payroll Tax Credits</p>
<p>PAID SICK & FAMILY LEAVE PAYROLL TAX CREDITS</p>	<p>Business with > 50 & < 500 employees are required to provide Coronavirus related 80 hours of Sick Leave and/or 10 weeks of family leave</p> <p>Sick Leave = 80 hours up to \$5,110 per employee</p> <p>Family Leave = 2/3 of payroll up to \$10K per employee</p>
	<p>Eligible employers can now use Form 7200, Advance Payment of Employer Credits Due to COVID-19, to request an advance payment of tax credits. Employers must retain supporting records for employees' leaves to substantiate any claim for receiving advance payment of the credit</p>

	<p>Federal government is subsidizing COVID-19 continued payroll w/Payroll Tax Credits</p>
<p>EMPLOYEE RETENTION PAYROLL TAX CREDITS</p>	<p>Employers, incl non-profits, that have operations partially or fully suspended as a result of orders from a governmental authority due to COVID-19, or</p>
	<p>Experienced a drop in gross receipts by > 50% in a quarter compared to the same quarter in 2019 (eligibility ends when gross receipts in a quarter > 80% compared to the same 2019 quarter)</p> <p>Employers who receive a Paycheck Protection Program (PPP) loan <u>are not</u> eligible for a tax credit.</p>



INTERPLAY OF PAYROLL TAX PAYMENT DEFERRALS & PPP LOAN FORGIVENESS



Employers who have received a PPP loan, but whose loan has not yet been forgiven, may defer payment of payroll taxes



Once an employer receives a decision from its lender that its PPP loan is forgiven, the employer is no longer eligible to defer deposit and payment after that date.



However, any amounts already deferred through the date the PPP loan is forgiven continue to be deferred and due on 12/31/21 (50%) and 12/31/22 (50%)

CORPORATE PROVISIONS

BASICALLY
TEMPORARILY
REVERSES
LIMITS UNDER
THE TCJA



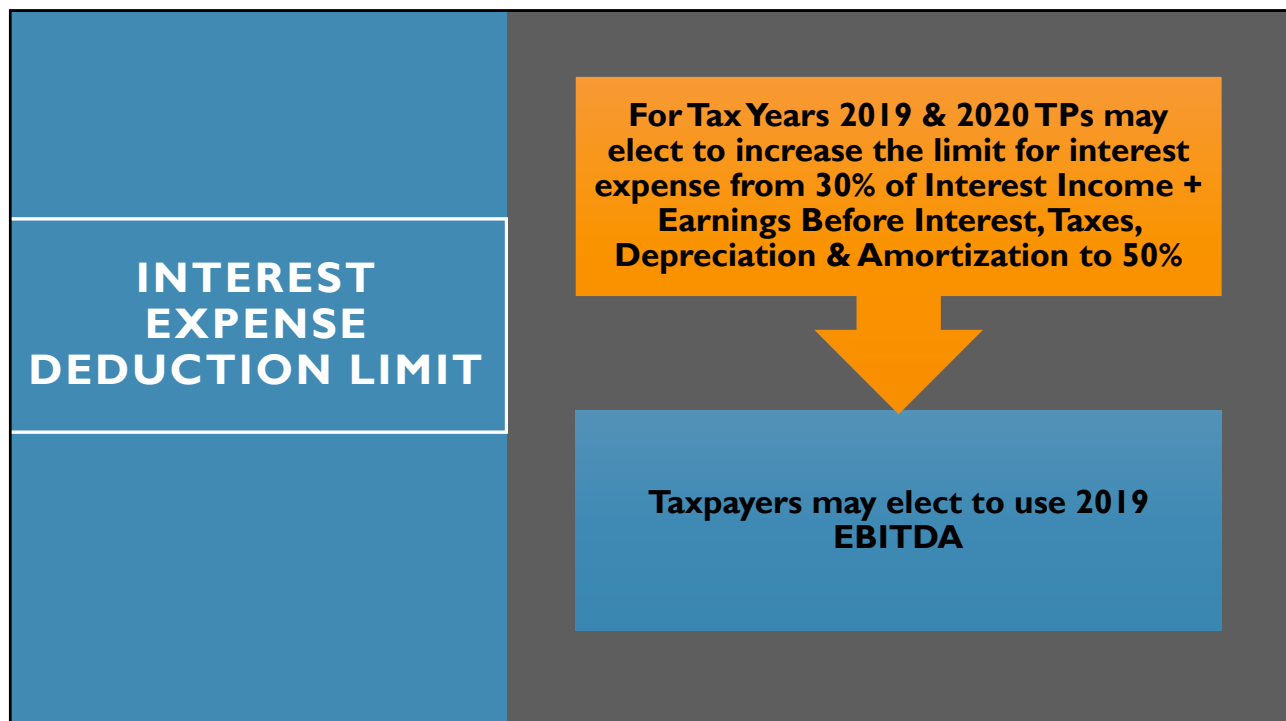
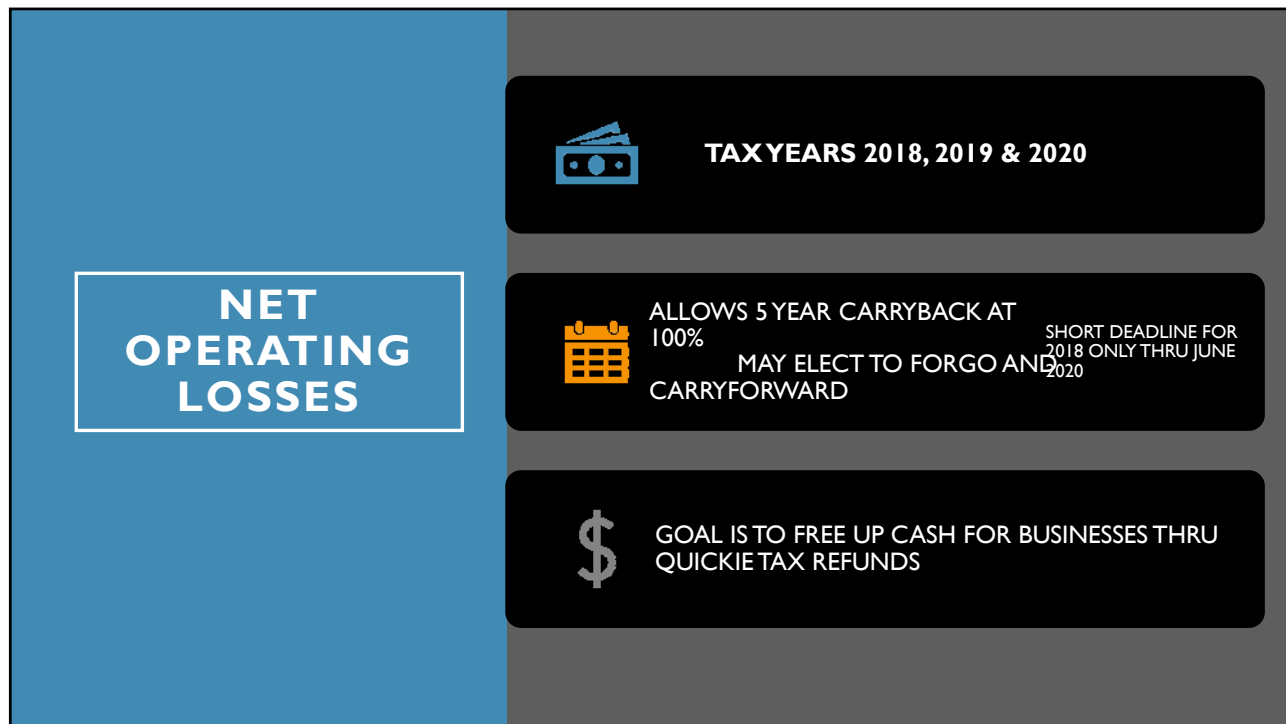
EXPANSION OF NET
OPERATING LOSS
DEDUCTIONS



EXPANSION OF INTEREST
EXPENSE DEDUCTIONS



LIBERALIZATION OF
ALTERNATIVE MINIMUM TAX
CREDITS



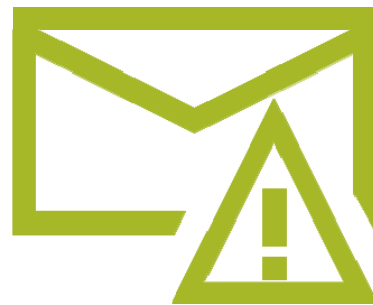
**ALTERNATIVE MINIMUM
TAX CREDITS FROM
REPEALED CORP AMT**

**Acceleration of the full
refundability of AMT tax credits
to 2018 or 2019**

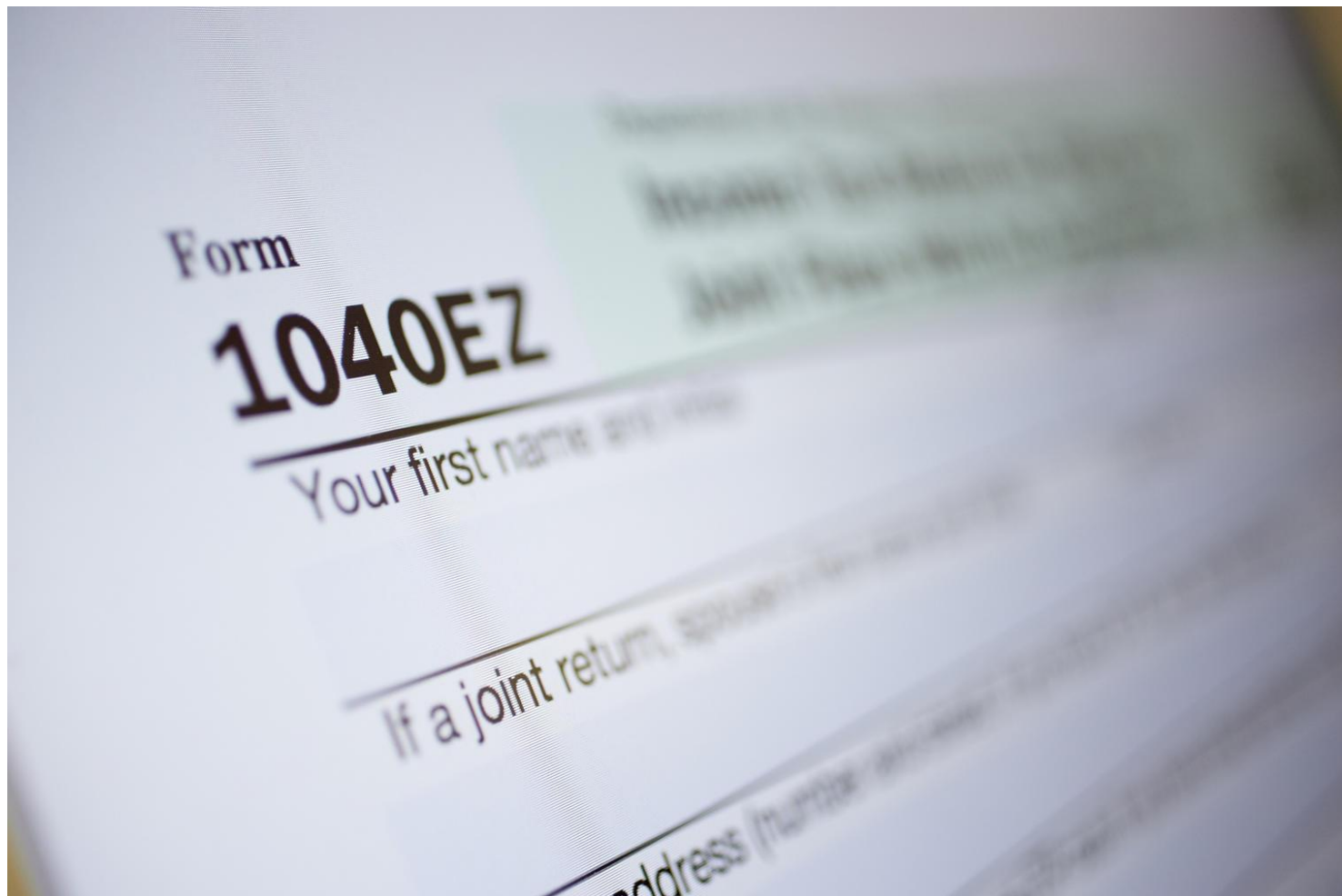


**QUESTIONS? COMMENTS?
THOUGHTS?**

**CONTACT ANYTIME
FRANCINE.LIPMAN@UNLV.EDU**



News Center



Coronavirus, Tax Relief, and Recovery Rebates: What You Need to Know

UNLV tax law expert Francine J. Lipman shares tips on how to navigate economic challenges from COVID-19.

BUSINESS AND COMMUNITY | APRIL 6, 2020 | BY NATALIE BRUZDA |

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Like Christmas, St. Patrick's Day, and the Fourth of July, Tax Day in America is associated with the same calendar date each year.

But as everything around us has been impacted by the COVID-19 pandemic, so, too, has the deadline for filing federal income tax returns.

The deadline has been extended for three months to July 15, and Americans don't have to do anything to qualify for the postponement. While that might seem like a relief, UNLV tax law expert [Francine Lipman](#) says taxpayers who are expecting a refund shouldn't wait that long.

"People are strapped for money right now, and if there's a tax refund waiting for you, file!" Lipman said.

A majority of Americans are also now waiting for the 2020 Recovery Rebate, which is being made available through the [federal coronavirus relief bill](#), to ease some financial burdens due to loss of income and employment.

We caught up with Lipman — a lawyer and a certified public accountant — who provided several tips for how to navigate these uncertain financial times.

With the new federal tax deadline, why shouldn't I wait to file my taxes?

If you are expecting a refund, file as soon as possible because you likely need the money now and you will not receive even one penny increase for delaying receiving your refund until July 15th. Procrastination does not pay! Moreover, you can use it to help your community. The empirical data is compelling that income tax refunds are spent locally, and as a result, there is a significant multiplier effect for communities, businesses and federal, state, and local governments through consumption, and taxes paid including job creation — or maybe given the current shutdown we can mitigate job losses.

What about state income taxes?

Not all states have extended their tax filing deadlines through July 15. Some states, like Nevada, do not have an individual income tax. Most Nevada residents with only Nevada-source income, for example, have no state income tax filing obligation.

For taxpayers with out-of-state source income, here is a [helpful link regarding state tax filing deadlines and other issues](#).

Where should I go to file my taxes?

Unfortunately, most Volunteer Income Tax Assistance (VITA) sites are temporarily shuttered in Nevada and elsewhere (for updates visit <https://www.nvfreetaxes.org>). In Las Vegas, one VITA site (598 South Decatur Boulevard) remains open for drop off service. Clients can drop off their documents, and return at a later date to pick up, review, and sign the tax return.

FreeFile, however, which is available online only through the IRS website , is up and running for taxpayers with a household income of \$69,000 or less, or FreeFileFillableForms for households with any amount of income. Both of these sites provide free preparation and electronic filing.

What if I've already filed my taxes and I owe the IRS money?

Federal income tax payments and self-employment tax payments for 2019 that were due on April 15 have been postponed until July 15. This includes first-quarter estimated tax payments and IRA contributions for 2019, but does not include refund claims for tax year 2016 that are due on April 15, 2020. The postponement does not apply to second-quarter estimated tax payments (due June 15). Any applicable interest and penalties on payments due on April 15 will begin to accrue on July 16 if not paid by July 15.

Where can I go for assistance if I have questions about my taxes, including my refund?

The IRS has temporarily shut down number of taxpayer assistance resources including its Taxpayer Assistance Centers nationwide. As a result, phone call on-hold wait times are even longer than usual during this tax season, which are usually very long in a normal year.

The IRS website has great, accessible information available at [irs.gov](https://www.irs.gov) , including a quick and easy way to determine when you will receive your refund . You can also access your tax transcripts on the IRS website . Another website that might be helpful is for the Taxpayer Advocate Service if you are suffering a financial hardship and need immediate tax relief.

Who qualifies for the 2020 Recovery Rebate Tax Credit?

All adults who have a valid Social Security number authorizing work and who are not claimed as a dependent on another's tax return (for 2020). One exception to this general rule is for married couple filing jointly where one of the spouses is a member of the Armed Forces, then only one of the spouses has to have a valid Social Security number that authorizes work.

How much will I receive?

Adults will receive \$1,200 per qualifying individual (\$2,400 for married filing jointly). Adults who have "qualifying children" will receive an additional \$500 each, without limitation on the number of "qualifying children."

A "qualifying child" for this purpose includes children, grandchildren, brothers, sisters, stepbrothers, stepsisters, nieces, and nephews who live with the adult as a member of their household in the U.S. for more than one-half of the year and who are under age 17 with a valid Social Security number authorizing work.

Adults (anyone 17 or older) who are claimed as a dependent on another's tax return will not receive a Recovery Rebate.

Even if you owe the IRS back tax liabilities, your recovery rebate will not be reduced by any outstanding debts other than past due child support. The Recovery Rebate is a refundable tax credit against 2020 federal income taxes, so it is not gross income/taxable income for 2020.

However, the 2020 recovery rebate amount is reduced by \$5 for every \$100 above the following adjusted gross income thresholds: \$75,000 for single (or married filing separately) taxpayers, \$150,000 for married filing jointly taxpayers, and \$112,500 for head of household taxpayers. Therefore, households with filing statuses and adjusted gross income levels as follows will be phased out of their \$1,200 (or \$2,400) Recovery Rebate as follows:

- \$99,000 single (or married filing separately),
- \$198,000 married filing jointly, and
- \$136,500 head of household

But households at these income levels may receive the additional “qualifying child” \$500 (also subject to phase-out at \$5 per \$100 above these thresholds, or an additional \$10,000 of income above these amounts for each “qualifying child” ($\$500/5 = \$100 \times \$100 = \$10,000$ additional adjusted gross income)).

As I tell my law students, math matters!

When will I receive my Recovery Rebate?

The federal government wants to push out these payments as soon as possible. Therefore, they plan to deposit monies into bank accounts per 2019 (or 2018) automatic refund deposit authorizations. The Secretary of the Treasury has indicated that these payments would start sometime around April 13. If they do not have this information from your tax filings, they will mail you a paper check to your last known address.

Paper checks are scheduled to be mailed out on or about early May and will take 20 weeks to distribute given the federal government’s check writing limitations and the significant underfunding of the IRS. It is also the middle of tax season and many, if not all, of the IRS’ face-to-face services have been suspended due to COVID-19. The law does not permit the U.S. Treasury to send out any advance Recovery Rebates after December 31, 2020.

What amount will I receive since my 2020 income and other information is not yet complete?

The US Treasury is going to estimate your Recovery Rebate amount based upon your last tax return on record (e.g., 2019 or if not then, 2018). Accordingly, your advance Recovery Rebate payment will be based upon the information from your 2019 (or 2018) tax return on file including how much your adjusted gross income was and how many “qualifying children” (as defined above) you claimed.

When you file your 2020 federal income tax return in 2021, you will reconcile the estimated Recovery Rebate received with your actual Recovery Rebate based upon your 2020 tax return information. If you should have received a higher Recovery Rebate because for example you had a child in 2020, or your 2020 adjusted gross income is lower than it was in 2019 (or 2018) (e.g., due to unemployment, but remember unemployment compensation is included in adjusted gross income), you will get any amount not

previously received. If you received a greater Recovery Rebate based upon your 2019 (or 2018) information as compared to your 2020 actual information you do not have to pay any excess amount received back.

Adults who have not filed tax returns for 2018 or 2019, but who receive Social Security benefits will receive their Recovery Rebate based upon the information the Social Security Administration has on file.

What should I do now?

If your address has changed since you last filed a tax return you should submit an address change online with the US Postal Service and as soon as possible mail a change of address using [Form 8822](#) to the IRS. Unfortunately, the IRS is not presently sorting mail so this address update is likely going to be significantly delayed. Alternatively, if you have not filed a 2019 income tax return and your address or bank account information has changed from your 2018 tax return, you might consider filing your 2019 federal income tax return electronically as soon as possible to update this information as well as any additional 'qualifying children.'

If your 2019 adjusted gross income is higher compared to your 2018 adjusted gross income amount, you should consider how the phase-out will impact your estimated Recovery Rebate based upon your 2019 information as compared to your 2018 information.

What other individual tax provisions might be relevant to me as I try to navigate economic challenges now?

Congress has abated the 10% early withdrawal penalties on up to \$100,000 withdrawn from certain retirement accounts for COVID-19 financial hardships. However, you will have to include any pre-tax amount withdrawn as income, but Congress will allow you to do this over three years instead of the year of withdrawal.

Seniors who are subject to "mandatory required minimum distributions" from certain retirement accounts because they are over 70.5 (or 72 under the recently passed Tax Cut and Jobs Act) will not be subject to penalties for not withdrawing those amounts for 2020. Therefore, seniors may consider not withdrawing monies from these retirement account.

Unemployment compensation is taxable income so consider electing to withhold federal income taxes on any unemployment payments.

Where do I go for updates on any and all things taxes?

Everything is dynamic and subject to change. Watch the IRS' website at [IRS.gov/coronavirus](https://irs.gov/coronavirus).

For hourly updates on Twitter follow @irsnews, @yourvoiceatIRS, @taxnotes, Kelly Phillips Erb of Forbes @taxgirl, and of course, Professor Francine J. Lipman @narfnampil.

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