

An illustration of a diverse crowd of people, all wearing face masks. The people are rendered in various colors and styles, representing different ethnicities and ages. The background is a solid dark blue. The text is overlaid on the left side of the image.

CRISIS MANAGEMENT FOR COVID-19

Phase 20 (Week 23): Updated Guidance, Legal Changes, and Legislation

*Presented by:
Hanna Resource Group
and
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INTRODUCTIONS



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WHAT WE'LL COVER

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Returning
Employees to
Work Safely

2

Executive Orders,
PPP, and Updates

3

Legal Q&A



What Companies Are Actually Doing



We'd love to share with you what creative solutions companies have created to deal with COVID-19 challenges, so we encourage you to share your photos and we'll highlight them each week!

Send your photos to: andreat@hannaresource.com



1

Returning Employees to Work Safely



Susan Elkington

President

Toyota Manufacturing Kentucky, Inc.

Questions & Answers





2

Executive Orders, PPP, and Q&A



James M. Morris, Esq.
Juris Doctor, MPA
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- 1. Federal Unemployment Continuation:** \$400 weekly Federal Unemployment Aid. Required 25% (\$100) to be paid by the states. Certain states, including Kentucky, indicated incapability to do so – which led to a modification indicating \$300 Federal as long as employee receives at least \$100
 - Could omit self-employed, Independent Contractor, Part-Time employees, and others
 - Additional guidance may be forthcoming; none now; no PUA or Federal UI inclusion
- 2. Payroll Tax Holiday:** *Deferred* SSI and Medicare Tax from 9/1/2020 through 12/31/2020
 - Still no guidance as to whether this is “mandatory,” although suggestion is it is mandated
- 3. Renter and Homeowner Assistance:** Encourages feds to avoid eviction or foreclosure
- 4. Extension of Student Loan Relief:** Suspends all Federal Student Loans/extends 0% interest rate thru 12/31

The Impact of PPP, EIDL, and PUA on Tax Returns is becoming a little more clear

IRS view on PPP Forgiveness are raising concerns:

- If you meet the criteria for loan forgiveness, will the government tax you on the free money you're receiving? Not directly, but it has become a little more complicated....
- The IRS released a notice clarifying how the forgiven loan amount would be treated:
 - “This notice clarifies that no deduction is allowed under the Internal Revenue Code (Code) for an expense that is otherwise deductible if the payment of the expense results in forgiveness of a covered loan pursuant to section 1106(b) of the [CARES Act] and the income associated with the forgiveness is excluded from gross income for purposes of the Code pursuant to section 1106(i) of the CARES Act.”
 - If the forgiven loan isn't included in a business's taxable income, the expenses paid for with the forgiven loan aren't able to be included as a tax deduction. This could have a big impact on your final 2020 tax bill

The Impact of PPP, EIDL, and PUA on Tax Returns

- Typically, business payroll, rent, mortgage interest, utilities, etc., are tax deductible, lowering taxable income. Without that deduction, businesses will owe more in taxes.
- Assuming a \$100k PPP loan, used for payroll, while receiving an extra \$100,000, businesses will lose the \$21,000 (21% corporate rate) in tax deductions typically received.
- Instead of a net of \$100,000, businesses end up with a net benefit of \$79,000, which could be a substantial surprise
- The AICPA is challenging the IRS decision; rules are still in flux. Until then, prep for the worst

EIDL Impact on Taxes:

- The EIDL advance is technically a grant up to \$10,000. Because it's a grant, based upon prior IRS guidance, it will probably need to be included in taxable income.
- However, businesses will be able to deduct any deductible expenses paid with the grant (inventory, rent, etc.)

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- Tax credits reduce tax liability on a dollar for dollar basis.
 - If a business has a \$10,000 tax liability and a \$3,000 tax credit, the amount of tax owed is \$7k
 - The credit is calculated per employee and is 50% of up to \$10,000 in qualified wages per quarter.
 - This can be claimed on quarterly form 941

Unemployment Impact on Taxes:

Yes, unemployment benefits are considered taxable income, without medicare or SSI taxes

- Kentucky allowed for an option on withholding, which could create a substantial tax hit
- If employees did not request to have taxes automatically withheld, they need to make estimated tax payments during the year. Beware of this to avoid an unexpected tax bill.

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Questions & Answers



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