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Dear Clients,

In light of the recent (hopefully very temporary) financial crisis that has impacted our community and our country at large, our office has been receiving a lot of calls and emails regarding some of the relief which may be available to them.

Congress has passed 3 stimulus packages and our office has sent numerous emails updating our clientele as to the details of these packages. The purpose of this email is to offer you a comprehensive summary of the relief which might be available to you.

We strongly urge you to read through this email as there might be relief available to you which you are unaware of. You are welcome to share this information with your friends, colleagues, family members, employees, or anyone who you feel might benefit from this information. Our goal is to provide as much information that could potentially help the community.

The information we are sharing with you is based off information published on the IRS or State websites or from the text of the various bills themselves. In situations where information was unavailable or unclear on those platforms, we did rely on different media outlets or our own experience. However, we tried to limit that which we are sharing with you to the official sources as much as possible.

Paid Sick Leave and Paid Family Leave

There are 2 key components to the paid leave aspect of the package: The first is Paid “Sick” Leave and the second is Paid “Family” Leave.

These paid leaves are designed in a way where the company must continue to pay their employees based on the guidelines set forth below and there will be a tax credit available to the companies to reimburse them dollar for dollar every dollar they paid out for the paid sick leave and for the paid family leave.

To be clear this is currently a law. Any company with fewer than 500 employees must comply with this. It is not a choice. If a company has fewer than 50 employees they might be able to request an exemption which we will address below. However, without an exemption or if your company has 50-499 employees this is not a choice. It is what you must do so long as you are retaining your employees.

The first component is that you must offer a paid “sick” leave of 2 weeks (up to 80 hours) to your employees. The following employees fall under the category of paid sick leave:

1. An employee who is unable to work because the employee is quarantined (Although anyone living in NJ might feel as if they are quarantined it is our opinion that this only applies to someone who was diagnosed with COVID-19 and, therefore, mandated to remain completely isolated.)
2. An employee experiencing COVID-19 symptoms and seeking a medical diagnosis

Any employee falling into one of the above two categories is eligible for two weeks of paid sick leave at 100% of their pay up to \$511 per day, or \$5,110 for the two-week period.

The following employees are also eligible for 2 weeks of paid “sick” leave:

1. An employee who is unable to work because of a need to care for an individual subject to quarantine

2. An employee who is unable to work because of a need to care for a child whose school is closed or child care provider is unavailable for reasons related to COVID-19
3. An employee who is experiencing substantially similar conditions as specified by the US Department of Health and Human Services

Any employee falling into one of the above 3 categories is eligible for two weeks of paid “sick” leave at 2/3 of their salary up to \$200 per day, or \$2,000 for the two week period.

An employee who is unable to work due to a need to care for a child whose school is closed, or child care provider is unavailable for reasons related to COVID-19 is also eligible for paid “family” leave. This will entitle them to up to an additional 10 weeks of paid leave at 2/3 of their salary up to \$200 per day, or \$10,000 for the ten-week period. This paid leave applies only to those employees who are unable to work due to child care obligations and only applies as long as their child(ren)’s school is closed.

This law goes into effect on April 1st and the tax credit will apply to any leave payments made after that date.

Companies with 500 or more employees are not required to comply with these provisions nor will there be a tax credit available to them. However, companies with fewer than 500 employees must comply with these paid leave requirements and they will be entitled to a payroll tax credit. The credit will work by allowing companies to NOT make federal payroll tax deposits as they are typically required to. Under guidance which the IRS promises to release next week eligible employers who pay qualifying sick or child care leave will be able to retain an amount of the payroll taxes equal to the amount of qualifying sick and child care leave that they paid, rather than deposit them with the IRS. If there are not sufficient payroll taxes to cover the cost of the qualified sick and child care leave paid, employers will be able to file a request for an accelerated payment from the IRS. The IRS expects to process these requests in two weeks or less.

The IRS has further announced that the details of this new, expedited procedure will be announced next week. We will reach out to our clients once this form is

released to let them know what we would need from them should they wish for us to prepare these forms for them.

The IRS states that businesses with fewer than 50 employees will be eligible for an exemption from the leave requirements relating to school closings or child care unavailability where the requirements would jeopardize the ability of the business to continue. The exemption will be available on the basis of simple and clear criteria that make it available in circumstances involving jeopardy to the viability of an employer's business as a going concern. Labor will provide emergency guidance and rulemaking to clearly articulate this standard.

To be clear, this exemption would only be applicable to the child-care leave aspects of the bill. It would not be applicable for employees who were sick, quarantined, or seeking a medical diagnosis. Additionally, the exemption will need to be applied for and the criteria by which an exemption would be granted haven't been announced. Considering, the IRS is promising to process claims within 2 weeks, we don't expect many exemptions would be granted based on the ability of the business to continue as a going concern.

Employee Retention Credit

The stimulus also calls for the creation of an "Employee Retention" payroll tax credit. This credit will be available to all businesses who keep their employees on payroll between March 12 and December 31, 2020. The credit is equal to 50% of the total payroll (including health coverage) up to \$10,000 of compensation per employee (maximum credit would be \$5,000 per employee).

Companies with fewer than 100 employees are entitled to the credit whether their employees are working or not. Companies with 100 or more employees are only entitled to the credit as it pertains to employees who are furloughed.

In order to qualify for the Employee Retention Credit the payroll has to cover a period where your business operations were at least partially suspended due to a government order pertaining to COVID-19 OR your business suffered a loss whereby the gross receipts of the quarter are 50% or less than that of the same quarter last year.

The Employee Retention Credit cannot be used in addition to the Paid Sick Leave or Paid Family Leave credits mentioned above as they pertain to the same employee. Furthermore, neither the Employee Retention Credit nor the credits for Paid Sick Leave and Paid Family Leave could be used if your company takes advantage of the SBA loan forgiveness programs which we will address below.

Unemployment

To apply for unemployment in NJ go to myunemployment.nj.gov

The following guidelines (typically) apply to NJ Unemployment:

1. You must have worked for 20 weeks prior to the unemployment and must have earned a total of at least \$8,400 in those 20 weeks.
2. Unemployment lasts for 26 weeks. You need to reclaim the benefits every week
3. Unemployment is 60% of your salary (or the average of your weekly salary over that 20 week period) and it is capped at \$677 per week.

The stimulus package has provided for a federal expansion of the unemployment insurance program. The coverage will extend unemployment coverage to those who are self-employed and to those who are still working but whose hours have been cut due the pandemic. Furthermore, the federal government is expanding unemployment coverage to add an additional \$600 per week to your unemployment benefits.

It seems as if the program will still be run through the states. Therefore, if you need to claim unemployment coverage please visit the state's website to begin the application process.

Miscellaneous Forms of Coverage

There are some other things to note. There is temporary disability available in NJ for those who had the virus. Visit myleavebenefits.nj.gov/worker/tdi/ and click “Start an Application” in the top right corner of the page.

Some might be eligible for workers compensation coverage if they were exposed to COVID-19 while working. For example, if you are nurse and you were exposed on the job you should be eligible for workers comp. coverage.

Stimulus Checks!

The IRS will be sending Stimulus checks over the next few weeks. The stimulus checks are designed as a 2020 tax credit which is being advanced now. This is important as all of the guidelines will ultimately be based off your 2020 tax return even though the IRS might be sending (or not sending) you a check now based off other figures.

How much? The credit is \$1,200 per person (\$2,400 for a married couple) plus an additional \$500 per child.

Who is eligible? If you are single the Adjust Gross Income Limit is \$75,000. The limits for Married Filing Joint taxpayers is \$150,000 and Heads of Household are subject to a limit of \$112,500. Anyone earning under those amounts will receive the full credit. If your income is over those amounts, the credit will be reduced by \$5 for every \$100 of income (essentially 5%) until it is \$0.

To illustrate, a married couple with 4 children whose income is \$100,000 will receive a credit of \$4,400. If their income would be \$160,000, the \$4,400 credit would be reduced by \$500 (5% of the \$10,000 in excess of \$150,000) and they would still receive a credit of \$3,900.

For those who used direct deposit for their tax refunds within the past 2 years, the IRS will deposit the credit to the account they have on file for you. Otherwise, they will send a check to your last known address. The IRS will send notification to your last known address within 15 days of sending the credit informing you of the

delivery method. There will be a phone number to call in the event you did not receive it.

The IRS will determine how much of an advance credit to send you based on your 2019 tax filing. In the event you did not file your 2019 taxes yet, they will base it off your 2018 tax filing. If you didn't file for 2018 either, they will use other information such as 1099s from Social Security to determine your eligibility. In the event, they are unable to make a determination the credit will be available upon filing your 2020 tax return. However, we would still encourage you to file your 2018 and/or 2019 taxes ASAP.

Other Miscellaneous Tax Related Items and Credits

1. Employers and Self-employed individuals will get to defer the 6.2% tax they pay on wages that is used to fund Social Security. This deferred tax will have to be paid over the following two years: half by December 31, 2021 and the other half by December 31, 2022. Essentially, the government is giving you a 2-year loan.
2. Self-employed individuals will have an additional tax credit available to them when they file their 2020 tax returns which will essentially mirror the family leave and sick leave credits they would have received had they been employees of a company.
3. The stimulus bill waives the 10% early withdrawal penalty on IRA distributions of up to \$100,000 for coronavirus-related purposes retroactive to January 1, 2020.
4. The bill suspends the required minimum distribution requirement on IRAs for those of eligible age for the 2020 tax year.
5. The bill allows for Net Operating Losses from 2018-2020 to be carried back for up to 5 years. This could be used to claim a refund now instead of carrying the NOL forward to a later year.

6. The bill provides for an “above-the-line” charity deduction of up to \$300 for charitable contributions made in 2020. Anyone who doesn’t itemize their deduction will be entitled to this deduction in addition to the standard deduction.
7. Charitable contribution limits for Corporations were increased from 10% of income to 25%.

Tax Deadline Extended

The tax deadline was entirely pushed off for pretty much everyone until July 15. This applies to both filing your returns as well as paying the taxes due. It also included estimated tax payments for Q1 2020 which was originally due on April 15. Those payment will now be due on July 15.

The extension also applies to businesses that were required to file by the March 15 deadline.

Regarding the states, NYS has agreed to follow federal schedule. NJ has passed a bill that it will follow the federal schedule. The governor (as of this moment) hasn’t signed it into law. However, we are anticipating that he will.

In the event you already filed OR if you filed an extension and you set up an ACH withdrawal to be debited from your account on or before April 15 and you now want to change that, you could call the IRS at 1-888-353-4537. NJ payments could be changed by going to https://www1.state.nj.us/TYTR_RevTaxPortal/jsp/IndTaxLoginJsp.jsp Please make sure to let us know of any changes you make so that we could update on our end accordingly.

Loans and Loan Forgiveness Programs Available to Small Businesses and Nonprofits

There are low interest SBA loans of up to \$2M available for businesses affected at [SBA.gov](https://www.sba.gov). The rates are 3.75% for businesses and 2.75% for nonprofits for up to 30 years. The application seems fairly simple and could be done online.

Additionally, as part of the stimulus package loans are being offered with a payment deferral of 6-12 months for those impacted by COVID-19.

The maximum loan amount will be 2.5 times the average monthly payroll costs incurred in the one-year period before the loan is made. If your business was not in existence for one year, it will be based off the average monthly payroll from January 1 through February 29, 2020. The loan amount cannot exceed \$10M.

Self-employed individuals will also be eligible.

Your local banks will be processing these loans starting by the end of the week and Vice President Pence has promised same-day funding!

The most generous aspect of these loans is that they could be forgiven to the extent it is used to cover payroll, rent, mortgage interest, and utility payments for 8 weeks after the date of the loan, provided your company's payroll remains more or less the same through June 30.

We are bringing you this information to make you aware of the generous relief programs available to you. We are not loan officers and we encourage you to get more information from your local banks regarding the application process, maximum loan amounts, and debt forgiveness details. We fully expect the local banks who are processing these loans to have a good handle on them and we urge you to call them to discuss your options.

As we mentioned above, if you do take advantage of these loan forgiveness programs you won't be eligible for any of the payroll tax credits mentioned above. Each company should, therefore, assess which option best suits its needs.

Miscellaneous Items

1. Mortgages, car payments, and credit cards – CALL THEM! Many of them have set up generous forbearance programs.
2. Student loan payments have been completely suspended until September 30, 2020.
3. **MOST IMPORTANTLY** – The Kennedy Center is receiving \$25M. Welcome to the USA!

We hope this information is helpful to you. We wish you and your families the utmost health, happiness, and financial stability throughout this pandemic.

Sincerely,

Isaac Tawil and Natan Gershonowitz
March 26, 2020