



Lally & Co.
CPAs and Business Advisors

The EVERGREEN

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The Evergreen. Always Growing.

Like the evergreen oak tree, Lally & Co. is always growing. With the support and loyalty of our clients and friends we have grown into a firm of 44 individuals serving clients in many diverse fields. Our growth gives us the ability to better serve our clients and provide effective solutions to their needs. If you have questions about your business or personal tax situation, please contact us. We welcome your call and are always looking for ways to better serve you.

Contact our office or visit our website for more information.

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Dear Clients and Friends,

Spring has finally arrived and with it brings the hope that our lives can slowly return to the new normal. We are grateful for the trust that you have invested in us as we navigate these unprecedented economic challenges. Over the past month, there have been several stimulus packages and changes in tax regulations that are directed solely to the small business owner. We hope that you find this issue of *The Evergreen* helpful in understanding these complex rules. Together, we can make a difference and help our communities return to economic prosperity.

As you read through *The Evergreen*, please do not hesitate to contact us if you have questions regarding an article or regarding your business or personal tax situation. We would be happy to hear from you! This and past issues of *The Evergreen* are available on our website at <http://lallycpas.com/newsletters/>.

Trump Administration Extends 2020 Tax Filing Season Through July 15

"At President Trump's direction, we are moving Tax Day from April 15 to July 15," Treasury Secretary Steven Mnuchin said in a March 20 tweet. "All taxpayers and businesses will have this additional time to file and make payments without interest or penalties."

The Treasury and IRS officially announced the extension on March 21. The move to extend this year's tax filing deadline to July 15 follows the IRS's formal announcement that certain 2019 tax year payments could be deferred without interest or penalties.

The Treasury Department and IRS have provided a notice with additional relief for taxpayers, postponing until July 15, 2020, a variety of tax form filings and payment obligations that are due between April 1, 2020 and July 15, 2020. Associated interest, additions to tax, and penalties for late filing or late payment will be suspended until July 15, 2020. Additional time to perform certain time-sensitive actions during this period is also provided.

Trump Signs \$2 Trillion Bipartisan CARES Act

President Trump on March 27 signed the \$2 trillion bipartisan Coronavirus Aid, Relief, and Economic Security (CARES) Act.

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The House approved the historically large emergency relief measure by voice vote just hours before Trump’s signature. The CARES Act cleared the Senate unanimously on March 25, by a 96-to-0 vote.

Generally, the following individual and business tax-related provisions are included in what lawmakers have dubbed the "phase three" COVID-19 emergency relief package:

- Forgivable loans under the Paycheck Protection Program “PPP” to small businesses that retain their employees throughout the crisis
- Direct cash payments of up to \$1,200 for certain individual taxpayers and \$2,400 for certain married couples filing jointly; those amounts would increase by \$500 for every eligible child;
- The 10-percent early withdrawal penalty is waived for distributions up to \$100,000 from qualified retirement accounts for coronavirus-related purposes;
- Payments delayed for employer-side payroll taxes;
- The taxable income limit is eliminated for certain net operating losses (NOL). Businesses and individuals can carry back

NOLs arising in 2018, 2019, and 2020 to the last five tax years;

- Excess business loss rules suspended under section 461(l);
- Refunds accelerated of previously generated corporate AMT credits;
- Temporarily enact provisions of the bipartisan Employer Participation in Repayment Act, which would allow employers to contribute up to \$5,250 tax-free to help pay down their employees’ student loans; and
- Qualified Improvement Property “QIP” now qualifies for full expensing. Previous law contained a “retail glitch” that required QIP to be depreciated over 39 years. The change is retroactive and applies to the 2018 and 2019 tax years. Amended returns or Form 3115 may be utilized to take advantage of this tax break.

Let’s Work Together

Treasury Secretary Steven Mnuchin, who spent many late nights in the U.S. Capitol recently participating in bipartisan negotiations on the Senate’s CARES Act, thanked Republican and Democratic leadership in both the Senate

and the House for their bipartisanship. "I am pleased that Congress has passed the CARES Act, the largest economic relief package in history for hardworking Americans and businesses that, through no fault of their own, have been adversely impacted by the coronavirus outbreak," Mnuchin said in a March 27 press release. "President Trump is fully committed to ensuring that American workers and businesses have the resources they need. This legislation provides much-needed relief to help our fellow Americans overcome this difficult but temporary challenge."

Phase Four Economic Relief Package

The CARES Act is considered "phase three" of lawmakers’ and the Trump administration’s collaborative response to the COVID-19 pandemic. Meanwhile, lawmakers on both sides of the aisle have said they want to see a fourth economic relief measure.

"Our work to help Americans during this emergency won’t stop here. Congress must do more to address the significant public health and economic consequences of the coronavirus," Neal said in a March 27 statement.



"In a fourth response package, I want to provide any needed additional support to people who have lost their incomes and to affected patients and health care providers. We should take bold action to improve our country's economic health too," he added.

Additionally, Neal said that he would like to see the Earned Income Tax Credit (EITC) and the Child Tax Credit expanded, as well as infrastructure investments to put people back to work and reinvigorate the economy.

Legislative View – Looking Back and Ahead

"From a legislative view, the CARES Act shares the key characteristics that we've seen with other emergency legislation, namely bipartisan willingness to forego typical concerns over cost and take action at unusual speed," John Gimigliano, principal-in-charge of federal legislative and regulatory services in the Washington National Tax practice of KPMG LLP, told Wolters Kluwer in a March 27 emailed statement. "Similar dynamics were apparent in other emergency legislation including bills enacted after the attacks of September 11, Hurricane Katrina, and during the financial crisis," Gimigliano added. "But those precedents also show that each of those three characteristics begins to break

down with successive legislative attempts.

That made quick passage of the CARES Act key and the development of a 'coronavirus 4' package something to watch closely."

“Get My Payment” Tool Available for Economic Impact Payments

The "Get My Payment" tool generally allows consumers to check the status of their payments, and to enter their direct deposit information if the IRS does not already have it.

"Thanks to hard work and long hours by dedicated IRS employees, these payments are going out on schedule, as planned, without delay, to the nation," the IRS said in an April 15 statement emailed to Wolters Kluwer. "The IRS employees are delivering these payments in record time compared to previous stimulus efforts."

Treasury had earlier announced that millions of Americans were already starting to see their economic impact payments. "These payments are being automatically issued to eligible 2019 or 2018 federal tax return filers who received a refund using direct deposit," Treasury said in an April 13 press release.

For those who filed 2018 or 2019 tax returns with direct deposit information or receive Social Security, no additional action on their part is needed. These individuals are expected to automatically receive the payment in their bank accounts.

"We are pleased that more than 80 million Americans have already received their Economic Impact Payments by direct deposit in record time," Treasury Secretary Steven Mnuchin said in an April 15 press release. "The free 'Get My Payment App' will allow Americans who do not have their direct deposit information on file with the IRS to input it, track the status, and get their money fast."

Status Not Available

Many individuals began voicing complaints on April 15 that the Get My Payment tool was not functional. In response, the IRS stated: "The Get My Payment site is operating smoothly and effectively. As of mid-day today, more than 6.2 million taxpayers have successfully received their payment status and almost 1.1 million taxpayers have successfully provided banking information, ensuring a direct deposit will be quickly sent. IRS is actively monitoring site volume; if site volume gets too high, users are sent to an online 'waiting room' for a brief wait until space becomes available, much like private sector online sites.



Media reports saying the tool ‘crashed’ are inaccurate."

The IRS also provided consumers with the following information regarding certain situations in which payment status is deemed unavailable.

The IRS listed the following reasons why users may receive the "Status Not Available" notice while using the online tool:

- If you are not eligible for a payment (see IRS.gov on who is eligible and who is not eligible).
- If you are required to file a tax return and have not filed in tax year 2018 or 2019.
- If you recently filed your return or provided information through Non-Filers: Enter Your Payment Info on IRS.gov.
- If you are a SSA or RRB Form 1099 recipient, SSI or VA benefit recipient—the IRS is working with your agency to issue your payment; your information is not available in this app yet.

"You can check the app again to see whether there has been an update to your information," the IRS said. "The IRS reminds taxpayers that Get My Payment data is updated once per day, so

there’s no need to check back more frequently."

Phase Four Economic Relief; “CARES 2” in the Works

Lawmakers are continuing talks on a "phase four" economic relief package in response to the COVID-19 global pandemic. To that end, the House’s "CARES 2" package is currently in the works and could see a floor vote as early as this month.

"CARES 2"

President Trump signed into law the \$2 trillion bipartisan Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-127) on March 27. The CARES Act is known on Capitol Hill as the third phase of legislation aimed to address the national emergency.

"The acceleration of the coronavirus crisis demands that we continue to legislate," Pelosi said in a "Dear Colleagues" letter sent out to members during the week of April 6. "We must double down on the down-payment we made in the CARES Act by passing a CARES 2 package, which will extend and expand this bipartisan legislation to meet the needs of the American people," she added. According to Pelosi, the CARES 2 package would (1) go further in assisting small businesses (including farmers), (2) extend and

strengthen unemployment benefits, and (3) distribute additional direct payments.

"Our communities cannot afford to wait, and we must move quickly," Pelosi wrote. "It is my hope that we will craft this legislation and bring it to the Floor later this month."

Paycheck Protection Program

Meanwhile, the Trump administration was successful in providing an additional \$310 billion into the Paycheck Protection Program after the initial round of funding ran dry. Of the \$310 billion, \$60 billion is to replenish the Economic Injury Disaster Loan program and \$250 billion is for the PPP loans.

"Through this tax break, workers can get back on payrolls and stay there. By working with their bank, small businesses can get eight weeks of cash-flow assistance through 100 percent federally guaranteed loans," House Ways and Means ranking member Kevin Brady, R-Tex., said on April 7.

Likewise, Senate Majority Leader Mitch McConnell, R-Ky., called for swift action on the matter. "Congress needs to act with speed and total focus to provide more money for this uncontroversial bipartisan program," McConnell said on April 7.



Firm Announcements

Haley Hinson joined our Firm as an Associate in our Tax Department in February 2020.

We are saddened by the passing of our longtime employee, **William J. Swope** on March 4, 2020. Bill joined the firm in 1999 and has been a friend and critical part of our Firm for over 20 years. His work-ethic, leadership and vision have helped define who we are today. Bill was also a leader in the PICPA and was actively involved in the PICPA's Distinguished Lecturers Banquet for many years. He was a dedicated family man, friend, and colleague. We miss him dearly.

Important Dates

July 15, 2020 due date:

- 2019 C-Corporation Returns
- 2019 Individual Tax Returns
- 2019 Form 114-FBAR Returns
- 2019 Form 1041 Trust Returns
- 2019 Forms 990s
- 2020 1st and 2nd Quarter Estimates Tax Payments Due

"I will work with [Treasury] Secretary Steven Mnuchin and [Senate Minority Leader Chuck] Schumer and hope to approve further funding for the Paycheck Protection Program by unanimous consent or voice vote during the next scheduled Senate session on Thursday."

2020 RMDs

The CARES Act includes several measures intended to stimulate the economy. One provision of this Act allows retirees to forgo taking Required Minimum Distributions (RMDs) from IRAs and 401(k)-type plans through 2020.

Since many accounts have seen a steep decline in 2020, the suspension of RMDs will allow Americans the ability to leave their investment portfolios to recover over the next year.

All RMDs have been suspended for 2020; this includes any retirement account subject to RMDs, such as IRAs 401(k)s, Roth 401(k)s and inherited accounts.

Non-designated beneficiaries (estates, charities, or certain types of trusts) who inherit a retirement account from a decedent who passed away before the required minimum withdrawal date are typically required to distribute all funds in the account within five years of the death of the original owner. The CARES Act states

that if 2020 is one of the five years, beneficiaries will get an extra year, turning the five-year rule into a six-year rule.

Guidance on NOL Carryback Under CARES Act

The IRS has issued guidance providing administrative relief under the Coronavirus Aid, Relief and Economic Security (CARES) Act (P.L. 116-136) for taxpayers with net operating losses (NOLs).

The CARES Act provides a five-year carryback for NOLs arising in tax years beginning in 2018, 2019, and 2020. The Tax Cuts and Jobs Act (P.L. 115-97) had eliminated carryback periods effective for tax years ending after 2017.

The relief provides procedures for waiving the carryback period in the case of an NOL arising in a tax year beginning after December 31, 2017, and before January 1, 2020

Six Month Extension for Filing Refund Claims

Taxpayers are granted an extension of time to file refund applications on Form 1045 (individuals, estates, and trusts) or Form 1139 (corporations) with respect to the carryback of an NOL that arose in any tax year that began during calendar year 2018 and that ended on or before June 30, 2019.



2017/2018 Fiscal-Year Taxpayers

Relief is also provided for 2017/2018 fiscal year taxpayer who failed to claim an NOL carryback due to a drafting error in the Tax Cuts and Jobs Act that provided the termination of two-year NOL carryback period applied to NOLs arising in tax years ending after 2017. The CARES Act corrects the effective date error by providing that the termination applies to tax years beginning after 2017. This makes these taxpayers eligible to claim an NOL carryback. The CARES Act allows these taxpayers to file a late application for a tentative refund. An application for a tentative refund is considered timely if filed by July 25, 2020. The guidance also explains how 2017/2018 fiscal year taxpayer may waive the carryback period, reduce the carryback period (if it is longer than the standard two-year carryback), or revoke an election to waive a carryback period for a tax year that began before January 1, 2018, and ended after December 31, 2017.

IRS Sets Start Date for Tax Credits Under Family First Coronavirus Response Act

The IRS has announced that the employment tax credits for paid qualified sick leave and family leave wages required by the Families First Coronavirus Response Act will apply to wages and compensation paid for periods beginning on April 1, 2020, and ending on December 31, 2020.

Additionally, days beginning on April 1, 2020, and ending on December 31, 2020, will be taken into account for the credits for paid qualified sick leave and family leave equivalents for certain self-employed individuals as provided by the Act.

Expanded Leaves

The Act's Division C (Emergency Family and Medical Leave Expansion Act) and Division E (Emergency Paid Sick Leave Act) requires employers with fewer than 500 employees to provide expanded paid family leave and paid sick leave to certain employees. These employees are unable to work or telework due to certain circumstances related to the coronavirus (COVID-19).

Tax Credits for Paid Leave

The Act's Division G provides payroll tax credits to employers that make the required leave payments to their employees. The Act also provides comparable credits for self-employed individuals carrying on any trade or business if the self-employed individual would be entitled to receive paid leave if he or she were an employee of an employer (other than himself or herself).

The refundable tax credits for most employers with fewer than 500 employees apply to qualified sick leave and family leave wages paid for the period from April 1, 2020, to December 31, 2020.

Additionally, the self-employment tax credit will be determined based on days occurring during the period beginning on April 1, 2020, and ending on December 31, 2020.

The Treasury Secretary selected the April 1 date in coordination with the U.S. Department of Labor's determination of the effective date for employers' compliance with the Emergency Family and Medical Leave Expansion Act and Emergency Paid Sick Leave Act requirements.