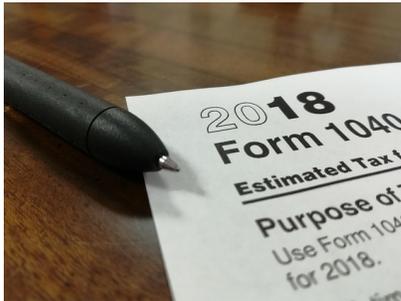


April 27, 2020

The Government Relief Acts How do they affect the individual Taxpayer?

The usual Tax Day has passed. By now, most taxpayers are aware that the IRS has extended tax deadlines this year to provide extra time for filing during this Covid-19 crisis. Below are some of the more significant extensions, along with other relief provisions that will be helpful to many taxpayers.

Federal Tax Deadlines Extended



The IRS has automatically extended the tax filing deadline to July 15, 2020 for Form 1040 (and all accompanying schedules). This extension also applies to trusts, estates, corporations, non-profits, and other tax filers having an original filing deadline on or after April 15th and before July 15, 2020.

This also extends the deadline for making 2019 IRA contributions until July 15th or later if the return is further extended.

- Income tax payments are automatically deferred until July 15th, without penalties or interest.
- 1st and 2nd Quarter 2020 tax estimates are both due on July 15, 2020.
- If you are unable to file your return by July 15th, you can still file an extension request (on or before July 15th) to extend your tax filing deadline until October 15, 2020. However, your tax payment needs to be made by July 15th to avoid penalties and interest.
- Filing the foreign reports, FATCA Report (Form 8966) and FBAR (Form 114 and 8938), are extended until July 15, 2020.
- For those taxpayers who have not filed their 2016 tax return, the deadline for claiming a refund has been extended from April 15th to July 15, 2020. The IRS requires a taxpayer to file a return within a three-year window in order to claim a refund.

Tax Reports Extended

Texas Franchise Tax Reports

The Texas Comptroller of Public Accounts has automatically extended the deadline for the Texas franchise reports and payments to July 15th. The due date is automatic and franchise taxpayers do not need to file for the extensions. Further extensions of time may be requested. These dates differ depending on the type of payment required to be made.

Texas Workforce Commission

The 1st Quarter 2020 report filing has been extended until May 15, 2020.

Property Rendition

Harris, Fort Bend and Brazoria counties have granted an automatic extension until May 15, 2020. Residents in other Texas counties should check with their county appraisal district to see if they are also extending these deadlines.

IRS Recovery Rebates for Individuals (Stimulus Payment)

In early April, the IRS began distributing funds via automatic direct deposit of the Economic Impact Payments. Taxpayers who normally receive a check refund from the IRS will be receiving their stimulus payment several weeks later.



The amounts are \$1,200 for adults and \$500 for qualifying children; dependents 17 and older receive nothing. There are phase-outs beginning at \$75,000 for Single taxpayers, \$150,000 for Married Filing Jointly, and \$112,500 for Head of Household.

The payments will be based on your 2019 reported income unless you have not filed a 2019 return yet; then the IRS will use your 2018 reported income.

This rebate is considered an advance credit, not taxable income, and will be reconciled on your 2020 Form 1040.

Non-filers who receive Social Security will automatically receive a payment by the same method that they receive their Social Security payment.

Those persons that aren't required to file or have not filed a tax return can get their rebate by notifying the IRS at <https://www.irs.gov/coronavirus/non-filers-enter-payment-info-here>.

Required Minimum Distributions Suspended for 2020

2019 RMDs for taxpayers turning 72 in 2019 and 2020 RMDs are suspended for the 2020 tax year. This applies to IRAs, 401ks, Roth 401ks, and inherited accounts.

If a distribution has already been made, it may be possible to re-contribute that amount.

Retirement Plan Distributions

An individual who has been diagnosed with Covid-19, or whose spouse has, or who has experienced adverse financial consequences as a result of the pandemic, is eligible to take up to \$100,000 distribution from their retirement plan in 2020.

- The income will be recognized over a 3-year period, or the amount can be repaid over a 3-year period.
- The standard federal withholding tax will not be withheld on these distributions and they are not subject to the 10% early withdrawal penalty.

Alternatively, an individual can take a loan from their retirement plan of up to \$100,000 or 100% of their balance. This option is available now through 180 days from the date of the CARES Act.

- Repayments currently due in 2020 may be delayed for up to 12 months.



Charitable Deduction Modifications for 2020

For 2020, taxpayers who do not itemize can take an above-the-line deduction for donations to public charities, up to \$300. Donations must be made in cash and cannot be made to a donor advised fund or a charity whose sole purpose is to

support another 501(c)(3) charity.

Additionally, AGI limitations for 2020 are eliminated, meaning up to 100% AGI is deductible for individuals. Corporations can donate up to 25% of their taxable income. Food contribution limits have increased to 15%.

Modifications of Net Operating Losses and Excess Loss Limitations

For 2018, 2019, and 2020 Net Operating Loss (NOL) from their passthrough businesses, a 5-year carryback is allowed. And for tax years prior to 2021, the 80% income limitation for NOL deductions is temporarily repealed.

Taxpayers can file Form 1045 for a quick refund of the carryback.

For excess business losses under Section 461(l), the excess loss limitation is repealed for tax years 2021 – 2025. The farmers limitation is removed for tax years 2018 – 2025. (Section 461(l) is the rule that disallowed excess losses of \$250,000 or \$500,000 for joint filers.)

Expansion of Unemployment Benefits

Under the Pandemic Unemployment Assistance section of the CARES Act, there are significant temporary changes to the unemployment benefits available to American workers:



- Self-employed, part-time employees, gig workers, and those lacking sufficient work history are eligible. Clergy and other employees working for a religious organization that may not regularly be covered by unemployment compensation may also be eligible.
- All unemployed workers will receive an extra \$600 per week through July 31, 2020.
- Unemployed workers are eligible for an extra 13 weeks of federal unemployment compensation after their state benefits run out, for a total of 39 weeks of benefits between January 27 and December 31, 2020.

The definition of unemployed is expanded to include:

- Permanently or temporarily laid off due to Covid-19
- Reduced work hours due to Covid-19
- Quarantined and unable to work
- Unable to work due to risk of exposure
- Caring for a family member with Covid-19.

Texas has made the following temporary changes to the unemployment system:

- The waiting week period has been suspended while the Governor's disaster declaration is in effect, thereby allowing unemployed workers access to benefits more quickly.
- Texas has temporarily waived the work search requirement for unemployed workers receiving benefits.

Other Changes and Provisions

For Federal government student loans:

- 2 months of payments and interest are waived.
- All payments suspended until September 30, 2020, with no interest charged during this period.
- Employers can pay up to \$5,250 towards employee's loans and it will not be counted as income to employee.

Federal mortgage relief for homeowners:

- Homeowners are eligible for 6 months forbearance on mortgage payments, with another possible 6-month forbearance.
- Applies to loans with FHA, VA, USDA, or 184/184A mortgages, or if backed by Fannie Mae or Freddie Mac.

Federal eviction relief for renters:

- Temporary suspension of evictions based on failure to pay rent for 4 months. This applies to properties with mortgages backed by federal agencies, such as Fannie Mae or Freddie Mac.
- Additionally, these same landlords cannot charge penalties or fees during this suspension period.

We have listed many tax relief adjustments above and know they can be confusing. We are here for you. Please do not hesitate to call or email us with your questions or concerns.

GRIFFING & COMPANY, P.C.
One Sugar Creek Center Blvd., Suite 650
Sugar Land, TX 77478
(281) 491-8866 Fax (281) 491-8998
info@griffing.com
www.griffing.com