



U.S. Congressman Jimmy Panetta

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COVID-19 Action – Taxes

COVID-19 has made it harder for Americans to file, and in some cases, pay, their taxes. Both the Treasury Secretary and Congress, via the CARES Act, have pushed back tax day to July 15, and the CARES Act includes many individual and business tax provisions to help Americans and their businesses through this challenging time.

Federal Tax Information

When do I need to file my federal and state taxes?

On March 21, the Treasury Department and Internal Revenue Service [delayed](#) the federal income tax filing due date from April 15, 2020, to July 15, 2020.

All taxpayers – individuals, trusts and estates, corporations, and other non-corporate tax filers, and those who pay self-employment tax – can also defer federal income tax payments due on April 15, 2020, to July 15, 2020, without being penalized or paying interest.

This relief automatically applies to taxpayers, meaning no additional forms are required to qualify for the extension.

Individual taxpayers can request a filing extension beyond the July 15 deadline by filing Form 4868 through a tax professional, tax software, or using the [IRS's Free File](#) tool. Businesses interested in an extension must file Form 7004.

Taxpayers seeking a refund should file as soon as possible. The IRS states that it is issuing most tax refunds within 21 days. Check the status of your refund [here](#).

Find out more information from the [IRS](#). Please see the agency's [Filing and Payment Deadlines Questions and Answers](#) document for specific guidance.

Tax Provisions in CARES Act

Business Provisions

QIP Fix

- Makes the Qualified Improvement Property (QIP) technical correction, fixing the “retail glitch” a costly mistake in the 2017 Tax Cuts and Jobs Act.
- This allows small businesses such as restaurants and retailers to immediately write off investments in improvements going back to 2018, providing them much needed cash flow.
- Congressman was a champion of this fix with H.R. 1869, the Restoring Investments in Improvements Act.

Employee Retention Credit

- Businesses of any size may take a 50% credit on wages up to \$10,000, in order to incentivize employee retention.
- Businesses that take interruption loans, such as SBA disaster loans, are ineligible.
- Businesses with fewer than 100 full-time-equivalent employees may take the credit all employees, regardless of whether they work or not.
- Businesses with 100 or more FTEs can only take credit if their workers were forced to stay home due to COVID-19, not workers who kept working.

Net Operating Loss (NOL) Carrybacks

- Businesses may deduct their losses from 2018, 2019, and 2020 from their prior-year tax payments going back five years (“Carry them back”)
 - If you had losses in 2018 but profits in 2013, you can “carry back” those losses and get a rebate on your 2013 tax bill.
- This will give them a tax rebate and improve their cash flow.
- Repeals the limitation that deductions can only be 80% of taxable income.
- Provisions apply to the self-employed with LLCs or other business entities.

Payroll Tax Pause

- Business can pause on paying payroll taxes until the end of the year.
- This acts as a short-term zero interest loan.

Business Interest Deductions

- The limitation for interest deductions is raised from 30% to 50%.
- Businesses have the option to substitute their 2019 business interest for 2020, essentially taking the 2019 business interest deduction twice.

Distiller's Excise Tax Exemption

- Distilleries who pivot to making hand sanitizer do not have to pay the excise tax on the distilled spirits used to make that hand sanitizer.

Airline Excise Taxes

- Repeals Federal Excise Taxes collected in relation to commercial aviation, including excise taxes are applied to the transportation of persons (i.e., ticket tax), the transportation of property (i.e., cargo tax), and aviation fuel.

Individual Provisions

Retirement

- Waives 10% penalty for early withdrawals from retirement accounts (like 401(k)s) up to \$100k. Taxpayers would have 3 years to pay them back.
- Waives required minimum distributions from retirement accounts for 2020.
 - Retirees will no longer be forced to take distributions from their IRAs, 401(k)s, etc.
- Loosens rules and raise limits for those who wish to take out loans against their retirement savings.
 - In the case of a loan, the individual remains invested and would enjoy any potential bull market that could occur following the crisis.

Charitable Deductions

- Allows for an above-the-line deduction for charitable giving, up to \$300 (this means filers don't have to itemize to take it)
- Removes limitation on deduction for regular charitable deductions.

Student Loan Employer Contributions

- The employer contributions to student loan payments will not be taxed as wages for one year, up to \$5,250 annually.