

**GOMES, DaCRUZ & TRACY, P.C.**  
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April 2020

Dear Friends and Family of Gomes DaCruz & Tracy, PC,

We hope that you are keeping yourself, your loved ones, and your community safe from COVID-19. We thank you for your cooperation with our office hours of 8am-12pm Monday through Saturday and our no face-to-face meeting policy at this time. We continue to practice social distancing to reduce the risk of spreading this disease. Governor Baker has extended the stay at home advisory through May 4, 2020. We will continue to keep our reduced hours and no face-to-face meeting policy during this time.

Along with those paramount health concerns, you may be wondering about some of the recent tax changes meant to help everyone coping with the Coronavirus fallout. I want to update you on the tax-related provisions in the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Congress's gigantic economic stimulus package that the President signed into law on March 27, 2020.

Federal and state (MA & CT confirmed) tax filing and payment dates of April 15<sup>th</sup> have been extended until July 15<sup>th</sup>. This includes tax liabilities due for 2019 and estimated tax payments for 2020. We are continuing to prepare returns on a first in first out basis and will prioritize based on returns with refunds due.

**We had sent a separate communication regarding individual tax provisions and wanted to share the business only provisions in this letter.**

**Business loan provisions**

The Small Business Administration (SBA) is offering disaster recovery loans. These loans are offered directly through SBA and through local community banks. Loan applications are expected to be available Friday April 3<sup>rd</sup> for the *Payroll Protection Program (PPP)* and *Economic Injury Disaster Loans (EIDL)* are available now through the SBA.

### *Payroll Protection Program*

Objective is to provide loans to those impacted by COVID-19 and allow business with less than 500 employees to retain its workforce.

- WHAT EXPENSES ARE COVERED: Salaries (up to \$100,000/employee), health care benefits, mortgage interest, rent, utilities, interest on other debt incurred before February 15, 2020.
- HOW MUCH: 2.5x your average monthly payroll.
- RATE: 4%
- TERMS: 6-12 months no payment, 10 year term, may forgive\*

\*forgiveness terms: cannot be more than the principal of the loan and is equal to the covered expenses during an 8 week period beginning the date the loan originates. Forgiveness is reduced by employee layoffs or reduction in wages. See attached SBA loan PDF for an example.

### *Economic Injury Disaster Loan*

Objective is to provide funding to recover from losses incurred as a direct result of COVID-19.

- Loans may be approved solely on the basis of an applicant's credit score.
- Eligible applicants may request advances up to \$10,000 within 3 days of submission of the loan application
  - If used for allowable costs, the advance is not subject to repayment
- Personal guarantees are waived on loans up to \$200,000
- HOW MUCH: Maximum loan value \$2,000,000
- RATE: 3.75%
- TERMS: up to 30 years, no forgiveness

In order to apply immediately to the SBA you can follow this links.

[Paycheck Protection Program application](#)

[Economic Injury Disaster Loan](#)

There are other loan options available as well. Please contact your business banker, your local Chamber of Commerce or your local Small Business Development Center network office for more information.

## **Business tax provisions**

*Employee retention credit for employers.* Eligible employers can qualify for a refundable credit against, generally, the employer's 6.2% portion of the Social Security payroll tax for 50% of certain wages (below) paid to employees during the COVID-19 crisis.

The credit is available to employers carrying on business during 2020, including non-profits (but not government entities), whose operations for a calendar quarter have been fully or partially suspended as a result of a government order limiting commerce, travel or group meetings. The credit is also available to employers who have experienced a more than 50% reduction in quarterly receipts, measured on a year-over-year basis relative to the corresponding 2019 quarter, with the eligible quarters continuing until the quarter after there is a quarter in which receipts are greater than 80% of the receipts for the corresponding 2019 quarter.

For employers with 100 or fewer full-time employees in 2019, all employee wages are eligible, even if employees haven't been prevented from providing services. The credit is provided for wages and compensation, including health benefits, and is provided for the first \$10,000 in eligible wages and compensation paid by the employer to an employee. Thus, the credit is a maximum \$5,000 per employee.

The IRS has authority to advance payments to eligible employers and to waive penalties for employers who do not deposit applicable payroll taxes in reasonable anticipation of receiving the credit. The credit is not available to employers receiving Small Business Interruption Loans. The credit is provided for wages paid after March 12, 2020 through December 31, 2020.

*Delayed payment of employer payroll taxes.* Taxpayers (including self-employed) will be able to defer paying the employer portion of certain payroll taxes through the end of 2020, with all 2020 deferred amounts due in two equal installments, one at the end of 2021, the other at the end of 2022. Taxes that can be deferred include the 6.2% employer portion of the Social Security payroll tax. The relief isn't available if the taxpayer has had debt forgiveness under the CARES Act for certain loans under the Small Business Act as modified by the CARES Act (see below). For self-employed, the deferral applies to 50% of the Self-Employment Contributions Act tax liability (including any related estimated tax liability).

*Net operating loss liberalizations.* The 2017 Tax Cuts and Jobs Act (the 2017 Tax Law) limited NOLs arising after 2017 to 80% of taxable income and eliminated the ability to carry NOLs back to prior tax years. For NOLs arising in tax years beginning before 2021, the CARES Act allows taxpayers to carryback 100% of NOLs to the prior five tax years, effectively delaying for carrybacks the 80% taxable income limitation and carryback prohibition until 2021. If you have NOLs during these time frames please contact us to discuss as there are other provisions that may apply.

*FMLA and Emergency Paid Sick Leave: Expanded to Employers with fewer than 500 employees but those with 50 employees or less can elect to be exempt if this would jeopardize a business's viability.*

FMLA has been temporarily expanded to cover employees who work at a company with 500 or fewer employees and have been employed there for over 30 days. Employees may take up to 12 weeks of leave to care for a child who is out of school due to the COVID-19 emergency. The first ten days of leave is unpaid unless combined with another benefit. After the initial ten day period, employees are entitled to receive two-thirds normal rate of pay, up to \$200/day.

The Emergency Paid Sick Leave Act activates April 2, 2020. Full time employees who qualify are eligible for 80 hours of additional sick leave. Sick leave is available for individuals who are ill, quarantined, symptomatic, or caring for a child who is out of school or an individual who has been quarantined.

*Accelerated payment of credits for required paid sick leave and family leave.* The CARES Act authorizes IRS broadly to allow employers an accelerated benefit of the paid sick leave and paid family leave credits allowed by the Families First Coronavirus Response Act by, for example, not requiring deposits of payroll taxes in the amount of credits earned.

*Certain SBA loan debt forgiveness isn't taxable.* Amounts of Small Business Administration Section 7(a)(36) guaranteed loans that are forgiven under the CARES Act aren't taxable as discharge of indebtedness income if the forgiven amounts are used for one of several permitted purposes. The loans have to be made during the period beginning on February 15, 2020 and ending on June 30, 2020.

I will be pleased to hear from you at any time with questions about the above information or any other matters, related to COVID-19 or not.

Thank you for your commitment and support and we wish all of you the very best in a difficult time.

*Ann. M. Gray + Tracy, P.C.*