



## Covid-19 Resources® Installment Two

With much uncertainty still ahead, the federal and state governments have taken initial steps to help businesses and individuals affected by COVID-19. The first bill passed by Congress has already been amended, and a third bill is in the works with proposals such as giving cash directly to all taxpayers. Here is an overview of the changes we know of so far.

### **Deferred Federal Tax Payments**

Taxpayers with amounts due on April 15 have been granted a 90-day extension to make those payments. Interest and penalties will not be assessed during this time. Corporations can defer up to \$10 million in payments, and individuals and other non-corporate filers can defer \$1 million. This applies to both federal income tax due with the 2019 return as well as first quarter estimated payments for 2020. It does not apply to other taxes such as payroll taxes.

**This rule does not extend the filing deadline.** Taxpayers unable to complete their return prior to April 15 must still file an extension. The IRS is also encouraging those expecting a refund to file as soon as possible. There is pressure on Congress from the accounting industry to delay the filing deadline, but nothing has happened as of yet.

### **Paid Leave**

Employers with fewer than 500 employees must provide paid sick leave to employees who are forced to stay home, either through sick leave or family leave. Coverage starts once an employee (who has been employed by the company for at least 30 days) has missed work for 10 days and cannot reasonably perform their job by telecommuting.

Employees qualify for sick leave if they are subject to a government enforced quarantine, have been advised by a health care provider to self-quarantine, or are experiencing COVID-19 symptoms and seeking a medical diagnosis.

Family leave is when they must care for a family member displaced by closed schools or daycare.

#### Sick Leave Wages

- 100% of ordinary pay, up to \$511 per day.
- Up to 2 weeks.

#### Family Leave Wages:

- 2/3 of ordinary pay, up to \$200 per day.

- Up to 12 weeks, capped at \$10,000 per quarter.

There are hardship exceptions for healthcare providers and employers with fewer than 50 employees for whom paid leave would jeopardize the continued viability of the business. **Exactly how this applies or will be administered has not been established yet.**

### **Credit for Paid Leave**

Employers will be reimbursed in the form of a payroll tax credit, claimed on the next quarterly payroll tax return. The amount of the credit is 100% of the paid leave under either the sick leave or family leave rules. The credit is only available to those forced to pay under the new rules. Employers that already have paid leave policies in place cannot receive credit for benefits that would have been paid under the existing policy, and they are not currently allowed to make changes to those existing policies.

This credit is refundable, meaning if the amount of credit exceeds the taxpayer's payroll tax liability for that quarter, they will receive a check for the excess amount.

Self-employed individuals are also allowed a credit against their regular income tax. The amount is the lesser of 2/3 of their average daily self-employment income or \$200. Those limits increase to 100% and \$511 if they meet the same quarantine or symptom-related tests under the sick leave wage credit.

### **Washington State B&O Tax**

The Department of Revenue has announced that businesses can request an extension for B&O taxes due starting in March. The extension is not automatic, so it must be specifically requested, and it is not clear yet how they will determine who is eligible. As Department of Revenue (DOR) staff is currently limited and their physical locations are essentially closed, all requests must be done online through the company's My DOR account.

We are recommending that everyone request this extension. If we prepare your B&O returns, we will be reaching out this week to coordinate the process. As with all matters, we will keep you informed as soon as we find out more information.