WELCOME & HOUSEKEEPING

- This presentation will be available on our Coronavirus (COVID-19) Resource Center: www.sikich.com/coronavirus-resource-page
- Thank you for those that have already submitted questions
- We encourage you to submit any additional questions via the Resource Center page
TAX UPDATES

JIM BRANDENBURG
jim.brandenburg@sikich.com
(262) 317-8538
OVERVIEW OF “CARES” ACT: TAX PROVISIONS

▪ “Phase 3” of Legislation from Congress this month on Coronavirus
▪ Introduced March 19, 2020 – Enacted into law March 27, 2020
▪ Designed as Economic Stimulus Package to assist those workers, families, and businesses impacted by Coronavirus
▪ Massive Bill - $2 trillion overall package
▪ Looking to have immediate impact on the economy. Cash infusion for individuals and businesses, and liquidity to aid them over the coming months
▪ Several significant tax provisions, but not just a tax bill. Many aspects to CARES
PAYROLL TAX DEFERRAL

Business Tax Incentives - Deferral of Payroll Taxes in 2020

- Permits employers and self-employed individuals to defer payment of employer share of FICA tax on employee wages
- Employer’s share of 6.2% FICA tax
- Applies to payroll taxes from March 27, 2020 (Date of enactment for CARES Act) through December 31, 2020
- **Deferral:** One-half of 2020 deferred payroll tax due December 31, 2021; and one-half due December 31, 2022
- Deferral Not Available if have a PPP (or SBIL) loan forgiven. Deferral no longer allowed once notification given to employer of loan forgiveness. FAQ #4 on IRS Website.
PAYROLL TAX DEFERRAL

Who and When

- **Who.** All employers may defer the deposit and payment of the employer’s share FICA (Social Security) tax. There is no cap of 500 employees or 100 employees as with other provisions in the CARES Act.
- It is also available for tax-exempt organizations.
- Employers that receive a PPP (Paycheck Protection Program) loan under CARES Act may not defer the deposit and payment of the employer’s share of FICA tax due after the employer receives a decision from lender that the PPP loan is forgiven. Thus, from March 27, 2020 until date employer receives notification from lender of forgiveness, payroll taxes can be deferred.

- **When.** Covers employer’s share of payroll taxes from **March 27, 2020 through December 31, 2020 (or, date notified PPP loan is forgiven).**
PAYROLL TAX DEFERRAL

What and How

▪ **What.** An employer is permitted to defer its share of FICA taxes (Social Security Taxes). This is the 6.2% matching share of FICA taxes. Also applies to employer’s share of certain railroad retirement taxes.

▪ **How.** The deferral applies to deposits and payments of the employer's share of FICA tax for the period March 27, 2020 through December 31, 2020 (or, date notified PPP loan is forgiven).

▪ The Form 941, Employer's QUARTERLY Federal Tax Return, will be revised for the Q2 of 2020. Information will be provided soon to instruct employers how to reflect the deferred deposits and payments otherwise due on or after March 27, 2020 for Q1 of 2020 (January – March 2020).

▪ *Per IRS Website:* In no case will Employers be required to make a special election to be able to defer deposits and payments of employment taxes.
PAYROLL TAX DEFERRAL

Other Items – FAQ #6 from IRS Website:

- Can an employer that is eligible to claim **refundable paid leave tax credits** or the **employee retention credit** defer its deposit and payment of the employer’s share of FICA tax prior to determining the amount of payroll tax deposits that it may retain in anticipation of these credits; the amount of any advance payments of these credits; or the amount of any refunds with respect to these credits?

  - **Yes.** An employer is entitled to defer deposit and payment of the employer's share of Social Security tax **prior** to determining whether the employer is entitled to the paid leave credits under FFCRA, or the employee retention credit under CARES Act; **and** prior to determining the amount of employment tax deposits that it may retain in anticipation of these credits; the amount of any advance payments of these credits; or the amount of any refunds with respect to these credits.
PAYROLL TAX DEFERRAL

Other Items.

- FAQ on IRS Website on the Deferral of Employer’s Share of Payroll Taxes:

- Other IRS guidance is likely especially as updated Form 941 and instructions are released.
Thank you for your time today. We have been working around the clock with our clients and our communities to address their growing needs. We will continue to bring you updates as the Coronavirus pandemic evolves.

We have developed an extensive resource center which can be found at www.sikich.com/coronavirus-resource-page
THANK YOU