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Even Taxes Are Hit by COVID-19

As the country is hit with a wave of event cancellations, school closures, and work-from-home directives in the wake of the declaration of COVID-19 as a global pandemic, many businesses and individuals have turned their focus to these concerns, rather than the usual worries one faces this time of year — taxes. Still, many are wondering whether these many disruptions to their lives and businesses will bring some form of tax relief.

As with all things coronavirus-related, the situation remains in flux. President Trump has announced that “certain individuals” will be able to defer tax payments without penalty, and there have also been promises of substantial relief to certain taxpayers made by various officials. However, details are scarce.

First, it remains unclear who may be eligible for tax relief. While it seems reasonable that those who have been diagnosed with the virus will be able to obtain some form of extension, many others have been negatively impacted by the outbreak, including family members of the sick, the healthy who have been quarantined, those unable to work because of family caregiver situations or workplace idling, and business owners and employees struggling in the face of a population increasingly staying indoors.

Second, the form of relief is also unclear. President Trump has pitched legislation to Congress for relief, namely a payroll tax cut for both employees and employers. Initially, the proposed rate would be 0% for the rest of 2020, with the cut possibly extending even further. However, members of Congress have pushed back against the cut, in part because these taxes are used to fund Medicare and Social Security, and also because the cut would have limited impact on employees who are not being paid for their time away from work. Congress is also reportedly considering an aid package that would require paid sick leave but would offset the cost to employers with a refundable tax credit.

Third, President Trump has confirmed the speculation that filing deadlines could be extended for everyone. By way of declaring a national emergency, the president has ordered the Treasury

Department to extend due dates to between June 15 to October 15, 2020. If a taxpayer is using a paid preparer, they should be aware that the availability of tax services could be impacted by the various workplace disruptions the virus is causing. Additionally, if taxpayers are counting on refunds, they should plan to file as soon as possible, as any potential shut down at the IRS or on the state level could impact the processing of returns. This is particularly likely on the state level, as many states have taken a more aggressive approach to combating the virus than have federal authorities.

In addition to these federal responses to COVID-19, taxpayers should also expect to see state governments responding legislatively. With many states, such as Kentucky, Ohio and Indiana declaring a state of emergency, state legislatures and administrative agencies are working to address some of the virus's implications. For example, there is a bill currently pending before the Kentucky Senate that would mandate a minimum of three paid sick days per employee every year to encourage employees to stay home when feeling sick, which would have tax implications for employers if passed. Additionally, the Ohio Department of Job and Family Services issued a COVID-19 Q&A addressing unemployment benefits caused by the coronavirus, warning that employers could see an increase in tax rates as a result of increased unemployment costs. Businesses will likely continue to be affected by developing state legislation in response to the COVID-19 outbreak.

Beyond the extended deadlines, COVID-19 is likely to impact taxpayers for 2020 and possibly beyond. Individual taxpayers may have 2020 returns that look very different than the ones filed this year, as reduced income could lead to eligibility for new credits, and medical expenses for coronavirus treatment could potentially be deductible. Likewise, taxpayers may have capital losses to report, or may be forced to use the standard deduction if they refinance a home at a favorable enough rate to impact the amount of the mortgage interest deduction. Business taxpayers, on the other hand, may generate unexpected net operating losses in 2020 or, if the payroll tax cut goes through, have vastly different expenses.

The coronavirus situation continues to change, and a relief package that includes some form of tax relief, either through filing deadline changes or something more extensive, is expected to be introduced in Congress soon. Taxpayers should reach out to their tax advisors for guidance on how any tax relief decisions impact them and how best to situate themselves for a positive tax outcome in 2020.

To provide guidance and support to clients as this global public-health crisis unfolds, Frost Brown Todd has created a [Coronavirus Response Team](#). Our attorneys are on hand to answer your questions and provide guidance on how to proactively prepare for and manage any coronavirus-related threats to your business operations and workforce.

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