COVID-19 Tax Impact Changes

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Categories:

Coronavirus Response Team
Tax Law Defined™ Blog

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As the coronavirus pandemic evolves, the Federal Government is continuing to offer relief that will have tax implications for both businesses and individuals.

Treasury Secretary Steven Mnuchin announced that corporations can defer up to $10 million in tax payments for 90 days; this is consistent with the President's prior comments. Additionally, Mnuchin announced that tax payments up to $1 million for individuals can be deferred for up to 90 days under part of a new economic stimulus plan unveiled by the Trump administration on March 17. The $1 million limit for individuals was designed to protect small businesses and passthrough entities. Mnuchin further explained that the plan will defer as much as $300 billion in IRS payments. Mnuchin noted, "That's an enormous amount of liquidity in the system."

As discussed in a previous blog post, President Trump has proposed additional aid in the form of tax filing deadline extensions. While the payment deadlines have been extended, the return filing deadlines have not. Currently, IRS Forms 1040 and 1120 for calendar year taxpayers are due April 15, 2020. The White House and Treasury Department have expressed intent to extend the 2019 tax year filing deadlines but have yet to make an official announcement, nor have the extended payment deadlines been published on the IRS website. We suspect this to be imminent, after which many state tax authorities will follow.

Lastly, the U.S. House of Representatives passed 363-40 a 100-plus page bipartisan bill that is supported by President Trump and expected to be taken up by the Senate today or Wednesday. The proposed Families First Coronavirus Response Act includes a wide variety of relief. The bill addresses insurance coverage and reimbursement of diagnostic testing costs as well as other safeguards for economically disadvantaged individuals. It also proposes expanded amendments to the Family and Medical Leave Act and a refundable tax credit equal to 100% of qualified paid sick leave allowed against the employer portion of Social Security taxes.

We continue to follow these developments closely and will update accordingly, as both the federal and state governments continue to decipher how best to aid taxpayers during this difficult time.

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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