

## May 2020 – Monthly Newsletter

### **Expenses Paid with Forgiven PPP Loan NOT Deductible**

IRS has clarified that no deduction is allowed for any expenses that are otherwise deductible if both:

1. The payment of the expense results in forgiveness of a loan made under the Paycheck Protection Program (PPP) and
2. The income associated with the forgiveness is excluded from gross income pursuant the CARES Act.

If your PPP loan is forgiven, then the forgiveness is not taxable. However, the related expenses that earned your PPP loan forgiveness are also not deductible. This avoids a double tax benefit.

### **2020 Retirement Related Changes**

**Early distribution penalty waived.** The 10% early distribution penalty on up to \$100,000 of retirement withdrawals for coronavirus-related reasons is waived during 2020. New tax rules allow tax liabilities on these distributions to be paid over a three-year period. So if you need the funds, you won't see your tax bill skyrocket in one year. Even better, you can return these distributions back into your retirement account over a three-year period and not be subject to the annual contribution limits.

**Required minimum distributions (RMDs) waived for 2020.** Required minimum distributions (RMDs) in the year 2020 for various retirement plans is suspended. The corresponding 50% penalty associated with not taking an RMD is also suspended in 2020. Distributions after the market takes a tumble can hurt retirement income for many years. This change allows you to wait to let the value in your retirement account rebound before you withdraw funds.

### **Get Your Money: Ensure You Receive a Stimulus Payment**

The IRS has two websites to help with stimulus payments: One for non-tax filers to register to receive their economic impact payment and a new “Get My Payment” tool.

As a response to the COVID-19 pandemic, the government is sending \$1,200 to single taxpayers with income less than \$75,000 (\$98,000 with phaseouts). \$2,400 is being sent to married taxpayers with income less than \$150,000 (\$198,000 with phaseouts). An additional \$500 is being sent for each child under the age of 17.

The payments are being made based on 2019 or 2018 tax returns. If you do not need to file a tax return for either of these years, you run the risk of not receiving this payment.

The IRS launched a way to register to receive your payment and to determine the status of your payment. Here are the websites:

- **Non-filers:** If you are not required to file a 2019 and/or a 2018 tax return, visit <https://www.freefilefillableforms.com/#/fd/EconomicImpactPayment>.
- **Payment status and direct deposit registration:** There is also an IRS app called “Get Your Payment” to register to receive your payment via direct deposit. Visit <https://www.irs.gov/coronavirus/get-my-payment>. Also use this tool to review the status of your payment.

## **State unemployment benefits expanded**

Recent federal legislation expands traditional state unemployment payments from 26 weeks to 39 weeks.

State unemployment offices are also administering an additional weekly payment of \$600 to unemployment benefit recipients courtesy of the federal government. This additional \$600 weekly payment runs through July 31, 2020. Visit your state's unemployment insurance website to fill out your application. Even better, [this federal unemployment assistance applies to self-employed workers and part-time workers](#).

Answers to common COVID-19 unemployment questions:

- **Who qualifies to receive unemployment benefits?** In addition to full-time workers who are laid off or furloughed, the Act provides individuals who are not already eligible for state and federal unemployment programs, including self-employed individuals and part-time workers, a set amount of unemployment compensation.
- **How much will I receive?** There are two different components to the new law's unemployment benefits:

- Each worker will receive unemployment benefits based on the state in which they work, and
- In addition to their state unemployment benefits, each worker will receive an additional \$600 per week from the federal government.
- **How will benefits for self-employed workers be calculated?** Benefits for self-employed workers are calculated based on previous income and are also eligible for up to an additional \$600 per week. Part-time workers are also eligible.
- **How long will the state unemployment payments last?** The CARES Act provides eligible workers with an additional 13 weeks of unemployment benefits. Most states already provide 26 weeks of benefits, bringing the total number of weeks that someone is eligible for benefits to 39.
- **How long will the federal payments of \$600 last?** The federal payment of \$600 per week will continue through July 31, 2020.
- **How do I apply for unemployment benefits?** You must apply for unemployment benefits through your state unemployment office. Most state applications can now be filled out online. Workers who normally don't qualify for unemployment benefits, such as self-employed individuals, need to monitor their state's unemployment office website to find out when they can apply, as many states need to update their computer systems to reflect every type of worker who is eligible to collect unemployment benefits under the CARES Act.

### **What to do now**

If you have not already done so, you must file for unemployment with your state as soon as possible. State offices and websites are being slammed, so the sooner you get in the queue the better for you and your loved ones. And remember, these benefits now apply to self-employed and part-time employees.

### **Beware of Scams Tied to COVID-19 Economic Impact Payments**

The IRS is warning you to be on the lookout for a surge of calls and e-mail phishing attempts related to COVID-19.

They will come in the form of e-mails, text messages, websites and social media attempts that request money or personal information.

The IRS says that scammers may do the following when trying to contact you:

- Emphasize the words "stimulus check" or "stimulus payment." The official term is economic impact payment.
- Ask you to sign over your economic impact payment check to them.
- Ask by phone, e-mail, text or social media for verification of personal and/or banking information saying that the information is needed to receive or speed up your economic impact payment.
- Suggest that you can get a tax refund or economic impact payment faster by working with them on your behalf. This scam could be conducted by social media or even in person.
- Mail you a bogus check, perhaps in an odd amount, then tell you to call a number or verify information online in order to cash it.

If you receive unsolicited e-mails, text messages or any other type of attempt to gather information that appears to be from either the IRS or an organization closely linked to the IRS (such as the Electronic Federal Tax Payment System, or EFTPS), you should forward it to [phishing@irs.gov](mailto:phishing@irs.gov).

As always, should you have any questions or concerns regarding your tax situation please feel free to call.

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