Scenario 1

[Family First Coronavirus Response Act](https://www.irs.gov/newsroom/covid-19-related-tax-credits-basic-faqs)

* Two weeks paid sick leave
	+ Quarantined
	+ Experiencing COVID-19 symptoms
	+ Caring for someone who is quarantined
	+ Caring for a child whose school is closed (up to 12 weeks @ 2/3 pay)
* Claim on form 941 (line 11b)
* Should be able to claim on amended return

[Employee Retention Credit](https://www.irs.gov/newsroom/faqs-employee-retention-credit-under-the-cares-act)

* 50% of wages
* Fully suspended operations (governmental order) or significantly (50%) reduced gross receipts
* Maximum of $10,000 wages ($5,000 credit)
* Not available if you took a PPP loan and expect forgiveness
* Could still get payroll tax deferral with PPP loan

[Payroll Tax Deferral](https://www.irs.gov/newsroom/deferral-of-employment-tax-deposits-and-payments-through-december-31-2020)

* From 3/27/20 through 12/31/20
* Defer employer’s share of Social Security
* Total amount of tax deferred is paid 50% by 12/31/21 and 50% by 12/31/22
* Deferral applies to the deposit of tax – once you deposit it, you can’t claim a refund

[R&D Credit Against Payroll Taxes](https://www.irs.gov/businesses/small-businesses-self-employed/qualified-small-business-payroll-tax-credit-for-increasing-research-activities)

* Has been available since 2016
* Small businesses can use credit that would otherwise be unused against employer payroll taxes
* File form 8974 and attach to 941
* Maximum of $250,000
* Must elect the amount to offset against payroll tax on 6765
* Credit can be taken for all employer taxes, even if you defer the Social Security tax

[PPP Loan Taxability](https://www.journalofaccountancy.com/news/2020/nov/ppp-loan-forgiveness-irs-safe-harbor.html)

* Forgiven loans are clearly not taxable income
* Congress clearly intended this to be a windfall
* IRS said expenses paid with forgiven loan proceeds are not deductible
* Don’t deduct in 2020 even if you’re not sure whether the loan will be forgiven
* Can go back and deduct expenses if some of the loan is not forgiven
* Multiple bills in Congress to fix the issue and make the expenses deductible
* No timetable for passage

[HHS Payment Taxability](https://www.irs.gov/newsroom/frequently-asked-questions-about-taxation-of-provider-relief-payments)

* These were a surprise to many practices
* Clearly taxable unless they had to be repaid because you didn’t meet the requirements
* If you don’t know whether you’ll end up meeting the requirements, do you still report it as taxable in 2020?

[Meals and Entertainment](https://www.journalofaccountancy.com/news/2020/oct/irs-rules-business-meals-entertainment.html)

* Final guidance from IRS in October
* No deduction if considered entertainment, amusement or recreation
* 50% limit applies to employee fringe benefits
* Regulations clarify that meals must be separately stated if provided at an entertainment venue to be deductible (subject to 50% limit)

[Business Interest Limitation](https://www.journalofaccountancy.com/news/2020/jul/irs-business-interest-expense-guidance.html#:~:text=31%2C%202017%2C%20business%20interest%20expense,floor%20plan%20financing%20interest%20expense.)

* Under TCJA, deduction for business interest was limited to 30% of adjusted taxable income
* Under CARES Act, a 50% limit applies for 2019 and 2020

[NOLs](https://www.journalofaccountancy.com/issues/2020/nov/deducting-losses-cares-act-coronavirus-relief.html)

* Under TCJA, NOLs could not be carried back, but carry forward indefinitely
* Also NOLs generated after 2017 can only offset 80% of taxable income in the year they’re carried to
* Under CARES Act, losses from 2018-2020 can be carried back five years
* Also, the 80% limit is eliminated for losses generated in 2018-2020
* Losses generated before 2018 can still be used to offset 100% of taxable income whenever they’re used (but watch out for AMT for individuals)

[Form 1099-NEC](https://www.accountingtoday.com/opinion/meet-the-1099-nec)

* Reports non-employee compensation
* That box removed from form 1099-MISC
* Still due to recipients by 2/1, but also due to IRS on that date
* 1099-MISC used to be due to the IRS by 2/28, but has been pushed back to 3/31
* 1099-MISC still due to recipients by 2/1

[Excess Business Losses](https://www.irs.gov/forms-pubs/limitation-on-business-losses-for-certain-taxpayers-repealed-for-2018-2019-and-2020)

* Under TCJA, each noncorporate taxpayer could only deduct $250,000 of business losses
* Under CARES Act, there is no limit for 2018-2020
* If a rental activity is linked to a business, those losses could have been considered business losses (nonpassive), and if the business is a C corp, the excess rental loss would not be available to offset salaries or profit

[Partnership Capital Account Reporting](https://www.journalofaccountancy.com/news/2020/oct/irs-reporting-partnership-capital-accounts.html)

* Tax basis reporting required starting with 2020 returns
* The “transactional approach” prescribed is essentially consistent with how we have generally calculated tax basis capital accounts
* Beginning tax-basis capital can be calculated using various methods
* Penalty relief for errors in beginning tax capital if reasonable care was taken to get it right

Scenario 3

[Economic Impact Payment](https://www.irs.gov/newsroom/economic-impact-payment-information-center-topic-j-reconciling-on-your-2020-tax-return)

* Treated as an advance of the Recovery Rebate Credit
* If you didn’t get an advance, but qualify for the credit, you can claim it on the 2020 return
* If you got an advance for more than the credit you ultimately qualify for, you do not have to pay it back

[Kiddie Tax](https://www.journalofaccountancy.com/issues/2020/jul/kiddie-tax-rules-restored.html)

* Before TCJA – taxed at parents’ marginal rates
* After TCJA – taxes at trust rates
* After Further Consolidated Appropriations Act – back to the parents’ marginal rates
* Effective for 2020, but can be elected for 2018 and 2019
* Reason for change was effect on Gold Star Families
* More than $2,200 of unearned income
* Under 18 or under 23 if a full-time student
* Form 8814 to report on parents’ return
* Up to $11,000 – all unearned

[Private Mortgage Interest](https://www.bankrate.com/mortgages/deduct-private-mortgage-insurance/)

* Deduction had gone away in 2017
* Renewed retroactive to 2018 by the Further Consolidated Appropriations Act, passed in December 2019
* Mortgage must have been taken out after 12/31/06
* Deduction phases out at AGI of $110,000 for MFJ
* Interest is deductible up to $1 million of debt before 2018, and $750,000 if the mortgage started after that

[Charitable Contribution Adjustment](https://www.journalofaccountancy.com/issues/2020/sep/cares-act-charitable-deduction-for-nonitemizers.html)

* $300 allowed as an above-the-line deduction for non-itemizers
* Many people no longer itemize thanks to increase standard deduction
* Excess contributions do not carry over
* Filing status doesn’t matter - $300 per “filing unit”
* If not itemizing, consider doubling up multiple years’ gifts into one to exceed the SD

[Cryptocurrency](https://www.irs.gov/individuals/international-taxpayers/frequently-asked-questions-on-virtual-currency-transactions)

* IRS regards cryptocurrency as property, not a security
* Gain or loss recognized when sold, exchanged, or used to purchase goods or services
* Can’t do like-kind exchange
* Like any other appreciated property, may be donated with deduction for FMV but no gain recognized
* IRS has sent out letters to people who are engaged in crypto activity
* There’s a disclosure on the tax form

[Home Office Deduction](https://www.irs.gov/newsroom/heres-what-taxpayers-need-to-know-about-the-home-office-deduction)

* Not available for employees, even during coronavirus
* Senate bill 4488 – restore unreimbursed business expenses, deduction for school and internet expenses
* If you operate business from home:
	+ Exclusive business use
	+ Principal place of business
	+ Simplified option - $5/sq ft, maximum 300 sq ft. So $1,500 deduction on Schedule C

[Statutory Residency](http://www.nysscpa.org/news/publications/the-tax-stringer/stringer-article-for-authors/quarantining-in-the-states-tax-residence-issues-during-the-covid-19-pandemic)

* Domicile generally based on principal residence, driver’s license, voter registration, etc.
* Statutory resident for the year if you spend more than 183 days in the state
* Possibly to be domiciliary resident of one state but statutory resident of another
* Owe tax on all income to both states
* No out-of-state tax credit (generally)