

Strategic Tax Planning
for Business Owners



www.thewaltersway.com

Corona Virus Update #1

March 27, 2020

Key Takeaways – Directly from IRS website

<https://www.irs.gov/newsroom/treasury-irs-and-labor-announce-plan-to-implement-coronavirus-related-paid-leave-for-workers-and-tax-credits-for-small-and-midsize-businesses-to-swiftly-recover-the-cost-of-providing-coronavirus>

Paid Sick Leave for Workers

For COVID-19 related reasons, employees receive up to 80 hours of paid sick leave and expanded paid child care leave when employees' children's schools are closed or child care providers are unavailable.

Complete Coverage

Employers receive 100% reimbursement for paid leave pursuant to the Act.

Health insurance costs are also included in the credit.

Employers face no payroll tax liability.

Self-employed individuals receive an equivalent credit.

Fast Funds

Reimbursement will be quick and easy to obtain.

An immediate dollar-for-dollar tax offset against payroll taxes will be provided

Where a refund is owed, the IRS will send the refund as quickly as possible.

Small Business Protection

Employers with fewer than 50 employees are eligible for an exemption from the requirements to provide leave to care for a child whose school is closed, or child care is unavailable in cases where the viability of the business is threatened.

Easing Compliance

Requirements subject to 30-day non-enforcement period for good faith compliance efforts.

To take immediate advantage of the paid leave credits, businesses can retain and access funds that they would otherwise pay to the IRS in payroll taxes. If those amounts are not sufficient to cover the cost of paid leave, employers can seek an expedited advance from the IRS by submitting a streamlined claim form that will be released next week.

Paid Sick Leave Credit

For an employee who is unable to work because of Coronavirus quarantine or self-quarantine or has Coronavirus symptoms and is seeking a medical diagnosis, eligible employers may receive a refundable sick leave credit for sick leave at the employee's regular rate of pay, up to \$511 per day and \$5,110 in the aggregate, for a total of 10 days.

For an employee who is caring for someone with Coronavirus, or is caring for a child because the child's school or child care facility is closed, or the child care provider is unavailable due to the Coronavirus, eligible employers may claim a credit for two-thirds of the employee's regular rate of pay, up to \$200 per day and \$2,000 in the aggregate, for up to 10 days. Eligible employers are entitled to an additional tax credit determined based on costs to maintain health insurance coverage for the eligible employee during the leave period.

Unemployment Applies to Sole Proprietors expected in the Care Act.

Child Care Leave Credit

In addition to the sick leave credit, for an employee who is unable to work because of a need to care for a child whose school or child care facility is closed or whose child care provider is unavailable due to the Coronavirus, eligible employers may receive a refundable child care leave credit. This credit is equal to two-thirds of the employee's regular pay, capped at \$200 per day or \$10,000 in the aggregate. Up to 10 weeks of qualifying leave can be counted towards the child care leave credit. Eligible employers are entitled to an additional tax credit determined based on costs to maintain health insurance coverage for the eligible employee during the leave period.

Examples

If an eligible employer paid \$5,000 in sick leave and is otherwise required to deposit \$8,000 in payroll taxes, including taxes withheld from all its employees, the employer could use up to \$5,000 of the \$8,000 of taxes it was going to deposit for making qualified leave payments. The employer would only be required under the law to deposit the remaining \$3,000 on its next regular deposit date.

If an eligible employer paid \$10,000 in sick leave and was required to deposit \$8,000 in taxes, the employer could use the entire \$8,000 of taxes in order to make qualified leave payments and file a request for an accelerated credit for the remaining \$2,000.

Equivalent child care leave and sick leave credit amounts are available to self-employed individuals under similar circumstances. These credits will be claimed on their income tax return and will reduce estimated tax payments.

SBA Loans

<https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>

<https://www.sba.gov/funding-programs/disaster-assistance>

SBA Express Bridge Loans

Express Bridge Loan Pilot Program allows small businesses who currently have a business relationship with an SBA Express Lender to access up to \$25,000 with less paperwork. These loans can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing and can be a term loans or used to bridge the gap while applying for a direct **SBA Economic Injury Disaster loan**. If a small business has an urgent need for cash while waiting for decision and disbursement on Economic Injury Disaster Loan, they may qualify for an **SBA Express**

Disaster Bridge Loan.

Terms

Up to \$25,000

Fast turnaround

Will be repaid in full or in part by proceeds from the EIDL loan

Find an Express Bridge Loan Lender via SBA's Lender Match Tool or by connecting with your local SBA District Office.

SBA Loans

Economic Injury Disaster Loan Assistance

Small business owners in all U.S. states, Washington D.C., and territories are currently eligible to apply for a long-term, low-interest loan due to Coronavirus (COVID-19). The SBA's Economic Injury Disaster Loan program provides small businesses with working capital loans of up to \$2 million that can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing.

We believe this is interest free for up to 12 months, but this is not confirmed.

As part of the new bill, we expect these loans to be forgiven 100% if used toward payroll, business mortgage payments, rent and utilities. Again, not confirmed.

SBA Loans

Instructions to Apply

Download forms below

Fill in your information

Upload forms on this page below

[Business Loan Application \(Form 5\) \(en Español\)](#)

[Home or Sole Proprietor Loan Application \(SBA Form 5C\) \(en Español\)](#)

[Economic Injury Disaster Loan Supporting Information \(Form P-019\)](#)

SBA Loans

Additional Forms

A Disaster Assistance loan officer may request you to fill out the following additional forms:

[Fee Disclosure Form and Compensation Agreement \(Form 159D\)](#)

[Personal Financial Statement \(SBA Form 413D\) \(en Español\)](#)

[Request for Transcript of Tax Return \(IRS Form 4506-T\)](#)

[Instructions for Request for Transcript of Tax Return \(IRS Form 4506-T\)\(en Español\)](#)

[Schedule of Liabilities \(SBA Form 2202\)](#)

[Instructions for Schedule of Liabilities \(SBA Form 2202\)](#)

[Schedule of Liabilities \(SBA Form 2202\) \(en Español\)](#)

[PUERTO RICO ONLY: Release of Inheritance and Donation \(Modelo SC 2907\) \(en Español\)](#)

[PUERTO RICO ONLY: Hacienda Statement of Authorization](#)

[Additional Filing Requirements \(SBA Form 1368\)](#)

[Additional Filing Requirements \(SBA Form 413D\) \(en Español\)](#)

Link to PDF from Insurance Company

Poster to be printed

SBA Loans

<https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>

Existing Federal Installment Agreements – postpone until July

Quarterly Estimated Tax Payments

Payments due between April 1 and July 15, 2020 are suspended. Taxpayers who are currently unable to comply with the terms of an Installment Payment Agreement, including a Direct Debit Installment Agreement, may suspend payments during this period if they prefer. Furthermore, the IRS will not default any Installment Agreements during this period. By law, interest will continue to accrue on any unpaid balances.

EMPLOYEE RIGHTS

PAID SICK LEAVE AND EXPANDED FAMILY AND MEDICAL LEAVE UNDER THE FAMILIES FIRST CORONAVIRUS RESPONSE ACT

The **Families First Coronavirus Response Act (FFCRA or Act)** requires certain employers to provide their employees with paid sick leave and expanded family and medical leave for specific reasons related to COVID-19. These provisions will apply from April 1, 2020 through December 31, 2020.

PAID LEAVE ENTITLEMENTS

Generally, employers covered under the Act must provide employees:

Up to two weeks (80 hours, or a part-time employee's two-week equivalent) of paid sick leave based on the higher of their regular rate of pay, or the applicable state or Federal minimum wage, paid at:

- 100% for qualifying reasons #1-3 below, up to \$511 daily and \$5,110 total;
- 2/3 for qualifying reasons #4 and 6 below, up to \$200 daily and \$2,000 total; and
- Up to 12 weeks of paid sick leave and expanded family and medical leave paid at 2/3 for qualifying reason #5 below for up to \$200 daily and \$12,000 total.

A part-time employee is eligible for leave for the number of hours that the employee is normally scheduled to work over that period.

ELIGIBLE EMPLOYEES

In general, employees of private sector employers with fewer than 500 employees, and certain public sector employers, are eligible for up to two weeks of fully or partially paid sick leave for COVID-19 related reasons (see below). *Employees who have been employed for at least 30 days* prior to their leave request may be eligible for up to an additional 10 weeks of partially paid expanded family and medical leave for reason #5 below.

QUALIFYING REASONS FOR LEAVE RELATED TO COVID-19

An employee is entitled to take leave related to COVID-19 if the employee is unable to work, including unable to **telework**, because the employee:

- | | |
|---|--|
| <ol style="list-style-type: none">1. is subject to a Federal, State, or local quarantine or isolation order related to COVID-19;2. has been advised by a health care provider to self-quarantine related to COVID-19;3. is experiencing COVID-19 symptoms and is seeking a medical diagnosis;4. is caring for an individual subject to an order described in (1) or self-quarantine as described in (2); | <ol style="list-style-type: none">5. is caring for his or her child whose school or place of care is closed (or child care provider is unavailable) due to COVID-19 related reasons; or6. is experiencing any other substantially-similar condition specific to the U.S. Department of Health and Human Services. |
|---|--|

ENFORCEMENT

The U.S. Department of Labor's Wage and Hour Division (WHD) has the authority to investigate and enforce compliance with the FFCRA. Employers may not discharge, discipline, or otherwise discriminate against any employee who lawfully takes paid sick leave or expanded family and medical leave under the FFCRA, files a complaint, or institutes a proceeding under or related to this Act. Employers in violation of the provisions of the FFCRA will be subject to penalties and enforcement by WHD.



WAGE AND HOUR DIVISION
UNITED STATES DEPARTMENT OF LABOR

For additional information
or to file a complaint:
1-866-487-9243
TTY: 1-877-889-5627
dol.gov/agencies/whd



WH1422 REV 03/20

TAX PLANNING PROCESS



Getting Started

Sign Engagement Letters & Pay Tax Planning & Design Fee

In terms of pricing, we are a holistic, one-stop shop firm based around value and return on investment that focuses on proactive planning through the business to maximize your wealth.

The initial tax plan investment is a one-time fee. Your savings will continue annually as the tax strategies are designed to produce recurring savings. You will not be charged this again, unless you experience major changes that are outside of our regular maintenance agreement.

You will be provided our tax planning engagement letter and our monthly service agreement to review. If you want to move forward with the tax plan, we ask that you sign the tax plan engagement letter and return to us with the stated fee.

Tax Plan Delivery (This occurs usually about two-three weeks from receipt of the engagement letter and fee.)

This appointment lasts about 2 hours. You will be presented with a written tax plan that provides a detailed overview of the strategies customized for you. Our team will review the plan in depth with you while utilizing your customized client binder that covers the components of the tax plan and how they work within the plan. Some of these items will be provided immediately, others will follow as the plan is implemented.

Implementing Your Tax Plan

Onboarding for Bookkeeping, Payroll, Tax Preparation (if applicable).

If you choose to have these services provided by us, this step coordinates

- The setting up or transferring our office of the bookkeeping and payroll
- Entering a couple years' worth of past tax returns into our tax software
- Assigning an account manager who will help guide you through the process
- Providing you with in house reviewed financials each month

Implementation Appointments

1. The first appointment will cover tweaking the tax plan and reviewing cash flow. Cash Flow is an important piece of the tax plan, and may be reviewed a couple times over the next couple of months.
2. There may be the need for other appointments associated with insurance items (i.e., life, disability) or retirement plans (i.e., Solo K's, 401(k)'s, cash balance). Most of these can be accomplished via email or phone.

Implementation of the tax plan elements, depending on the pieces, may take up to 3 months to be completed. There is a team working behind the scenes and alongside as you go through this process.

Providing Ongoing Maintenance (optional)

Advisory

In terms of maintenance, we have found it is best for us to be part of your financial picture following the tax plan design and implementation.

You may struggle with how to adjust your cash flow and taxes as income goes up and goes down. Some of the steps we will take in maintaining your plan will be:

- Conserving the same standard of living at home and adjusting your taxes as this occurs. This is just part of being a business owner and something we cannot avoid.
- Then, we will allocate 10 CPA hours per year for ongoing advisory work with you.
- Finally, we will meet twice a year for a full review of your books, cash flow, and how close we are to your tax plan.

As your numbers move around, we adjust the tax plan for you to continue to maintain the same extraordinary tax savings. This begins the following month after the tax plan design and requires a signed Monthly Maintenance Agreement.

Semi Annual Reviews

As part of your advisory services, the first year and each year thereafter you will have 2 review meetings, typically in May and November. Some things we will review in these 1 hour appointments will be:

- Analyze how the tax plan is working, tweak cash flow or other items, review financials, update information, review current year tax projection and discuss issues or questions.
- Catch things that happen during the year, such as increases/decreases in income, purchases, and other business decisions. It is easier to handle these items during the year instead of having them come as a surprise or as last minute decisions at the end of the year.