

We wanted to provide a follow up to our last e-mail blast with some updates that have occurred and to address the most frequently asked questions that we have received with the updated information.

Obtaining Information About Stimulus Payments

For those of you who have not received your stimulus payment, and believe you are eligible, the IRS has updated the tool on the website where you can check the status of your payment. For those people that the IRS does not have direct deposit information for, they will be issuing checks to your last address on your tax return or your new address if you filed an official IRS change of address form. The checks have started to go out and they are being issued in the order of income on 2018 or 2019 tax returns. The lowest income people will be getting their checks first.

To obtain information about your stimulus payment from the IRS website, you must provide your adjusted gross income and tax due or refund claimed. That information can be found on your previously filed Tax Return. For most clients, we have provided copies of your previously filed tax returns through SecureDrawer. To access a previously filed tax return through SecureDrawer and need assistance, please refer to the instructions attached to the e-mail or contact Michelle Abraham at mabraham@sjtax.com.

Here is the link to the IRS too - <https://www.irs.gov/coronavirus/economic-impact-payments>

As a reminder, the eligibility criteria are as follows:

- Single filers with adjusted gross income (AGI) of up to \$75,000 qualify for the full \$1,200 payment. This amount is reduced by \$5 for every hundred dollars over \$75,000, so it gets fully phased out when your AGI reaches \$99,000.
- For married filing jointly taxpayers, the full payment is allowed for an AGI of up to \$150,000 and completely phases out at \$198,000 of AGI.
- For head of household filers, the full payment is allowed for an AGI of up to \$112,500, and completely phases out at \$136,500 of AGI.

FAQs:

1. If I did not yet file my 2019 tax return, am I eligible for the stimulus payment?
 - Yes, depending on your income. If you filed a 2018 return, they will assess your eligibility based on that.
2. If I owed money for 2018/2019 and the IRS does not have my bank account information on file, how will I receive the stimulus payment?
 - The link that the IRS provided was not working until last Friday. You can now input your information for direct deposit. To verify your identity you will need information from either your 2018 or 2019 tax return. You need your adjusted gross income and your refund or balance due. If you applied your refund

- towards the following year's estimated taxes, you will need to enter a refund of zero. <https://www.irs.gov/coronavirus/economic-impact-payments>
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3. If the IRS has my bank details from making payments by direct debit, will they use that to direct deposit my stimulus payment.
 - Unfortunately they will not. If you want direct deposit, you will need to enter the details on their website.
 4. If I moved since 2018 and did not have direct deposit how will the IRS know where to send the stimulus payment?
 - You can go to <https://www.irs.gov/coronavirus/economic-impact-payments> to give your direct deposit information, although if you get a message that a check is being issued by a certain date, it is too late to give your direct deposit information.
 5. What can I do if I moved after I filed my 2018 tax return and my stimulus check has been mailed to my old address?
 - Please contact your tax preparer and they will have someone assist you.
 6. If I applied my 2018 refund to my 2019 estimated tax payments will the IRS have access to my bank routing and account number for this stimulus deposit:
 - No, the IRS will not access to your bank routing and account number if you had your 2018 refund applied to 2019. You can enter your bank routing and account information using this link:
<https://www.irs.gov/coronavirus/economic-impact-payments>
 7. If I am married and file jointly with my spouse, do we each need to submit our information through the IRS site?
 - No, for married couples filing jointly, your information only needs to be submitted to the IRS once.
 8. If I have not yet received the stimulus payment, when should I expect it?
 - Check here: <https://www.irs.gov/coronavirus/economic-impact-payments>
 9. If a retired person only has social security income, do they need to file a tax return to receive the stimulus payment?
 - You are not required to file a tax return and will automatically receive a \$1,200 payment if you received Social Security, SSDI, survivor's benefits, SSI, Railroad Retirement benefits, or VA Compensation and Pension (C&P) benefits in 2019. You do not need to contact the IRS, Social Security Administration (SSA), the Railroad Retirement Board (RRB) or Veterans

Affairs. If you did not file tax returns in 2018 or 2019, you will receive your payment as a direct deposit or by mail, just as you would normally receive your federal benefits.

FAQs for Freelance People, Self-Employed People and Small Businesses:

As many of you are aware, the Payroll Protection Program (“PPP”) has just received additional funding. This round will also be limited and run out quickly. The PPP must be applied for through a bank and there is a requirement that 20% of the funds come from the smaller community banks. If you have not yet submitted an application, here is a list of some of the smaller banks that were offering PPP loans -

<https://www1.nyc.gov/assets/sbs/downloads/pdf/businesses/covid19/7a-lenders.pdf>

1. If I do not have employees am I eligible for the PPP?
 - Yes, you can qualify based on your profit. You can count up to \$100,000 of your profit towards the PPP loan. The maximum you can get with no employees is \$20,833.33. That is 1/12 of \$100,000 or \$8,333.33 x 2.5.
2. How much of the PPP can be forgiven? How much would I have to repay?
 - You must use at least 75% of the PPP to pay salaries and certain allowed employee expenses (that includes up to \$8,333.33 a month for the owner’s draw). All salaries counted must be capped at \$8,333.33 per month. On top of salaries, you can count health insurance premiums paid, retirement plan matches for your employees, and state employment taxes such as unemployment insurance. Up to 25% of the PPP can be forgiven if used for rent, utilities, or business mortgage payments. It cannot be used for home office expenses.
3. Can I still apply for the Economic Injury Disaster Loan (“EIDL”)?
 - SBA is unable to accept new applications at this time for the EIDL-COVID-19 related assistance program (including EIDL Advances) based on available appropriations funding. Applicants who have already submitted their applications will continue to be processed on a first-come, first-served basis.
4. What happened to the EIDL application that I submitted? Should I still expect a payment?
 - They just got more funding, and new grants are being released this week. So, no there is no need to reapply.
5. If my business operates at a loss, can I still be eligible for the PPP?
 - Yes for your employees, but we don’t think the owner is eligible because you are only allowed it based on your business profit.

6. If I applied for the PPP during the first round, but never received a response, should I apply for Unemployment? If I do collect unemployment benefits and then receive funds from the PPP, will I have to repay the amount that I receive from PPP?
 - Our understanding is that once you get the PPP, you must use the money in required manner within eight weeks of receiving the funding. If you are on unemployment, you should stop once the funding is received and start to pay yourself from your business again. Once the eight week period is over, you can resume unemployment.

7. How do I account for the PPP loan to best insure that I qualify for loan forgiveness?
 - There will be a process where the banks will need proof that the money was spent in the prescribed manner in order to qualify for loan forgiveness. One option would be to keep the funds in a separate bank account which is only used to fund allowable expenses. Another option, if you use QuickBooks, is to set up a “class” for PPP expenses and then you can run a report by class if necessary. Whichever way you choose to do it, it is important to keep good track of the expenses that the loan proceeds are used for. We are not sure what will happen with expenses accrued but not paid during the eight week period. For example, unemployment insurance is typically paid at the end of the quarter, but it is assessed on the wages for that quarter. Will you have to prepay your unemployment to count for that period? Are wages counted based on the period covered or the date of payment? These are questions that have not yet been addressed. We will update you when we get answers.

8. Is the \$600 per week for the expanded unemployment taxable?
 - We believe that it is, but we may need further information.

9. Is Pandemic Unemployment Assistance (PUA) a separate program from Unemployment Insurance?
 - No, this is the expansion of Unemployment relating to COVID-19. You only need to apply through the Department of Labor for Unemployment Assistance. Below are links to the FAQ website for several states:
 - CA – http://134.187.115.243/about_edd/coronavirus-2019/pandemic-unemployment-assistance/faqs.htm
 - CT – <http://www.ctdol.state.ct.us/>
 - NJ – https://myunemployment.nj.gov/labor/myunemployment/assets/pdfs/CARES_FFRCA.pdf
 - NY – <https://labor.ny.gov/ui/pdfs/ui-covid-faq.pdf>

10. As a freelance / self-employed person how can I apply for unemployment insurance?

- Yes, you can under the CARES Act. Usually self-employed people do not qualify for unemployment, but the government made an exception during this crisis.
- Here is a link to help guide you through the CA unemployment benefits program: <https://unemployment.edd.ca.gov/guide>
- The CT Dept of Labor has provided the video at the link below to guide you through the unemployment application process:
<https://www.youtube.com/watch?reload=9&v=csPPtTCDdQ0&feature=youtu.be>
- You can start your application for NJ unemployment benefits at this website:
<https://myunemployment.nj.gov/labor/myunemployment/independentcontractors.shtml>
- This has been a helpful link to guide people through the NYS application process: <https://www.labor.ny.gov/ui/pdfs/self-employed-ui-guide.pdf>

Important Information

- We are subject to a government mandate to electronically file all the tax returns that we prepare.
- For everyone's safety, the authorizations that taxpayers need to sign allowing us to file their returns electronically need to be signed digitally.
- We have been using RightSignature when requesting your digital signatures. If you are having any difficulties with the program or signing your forms, please contact Marc Chow Young at marc@sjtax.com.
- As the IRS staff returns from their furloughs, they are months behind in processing any documents that have been mailed to the service centers.
- If due to circumstances beyond our (and your) control require that your returns be mailed to the government, you will be sent a digital copy of the return that you will need to print, sign and mail. If possible, it is best to mail things certified return receipt requested due to the large amount of unopened mail at the IRS. That being said, we understand if going to the post office at this time is not feasible.
- **529 Plan Distributions** – Normally, you have 60 days to put money back into a 529 plan when you get a refund from the school of room and board or tuition fees. There's a special rule for refunds related to the coronavirus. You have 60 days from the date of the refund or July 15, 2020 whichever comes later.