



SJ ASSOCIATES NYC, LLC
TAX CONSULTANTS

July 15th Tax Deadline Update

Dear Clients,

With July 15th rapidly approaching, we want to remind those of you who have not yet paid your 2019 taxes, that the federal and state taxes due for 2019 are due on July 15th. If you had us set your payments up for direct debit, please ensure that there are sufficient funds in your bank account to cover your taxes. If you have a voucher to pay your taxes, please remember to mail a check or to go on-line and pay by July 15th.

For those of you who filed before April 15th, some of you were given vouchers and some of you had been scheduled for direct debits, which you could have chosen to cancel. Please check your bank to see if your taxes payments were made. If not, please pay them by check or on-line.

The link to make your Federal payments online –
<https://directpay.irs.gov/directpay/payment?execution=e1s1>

We know that by now your taxes are usually paid so we wanted to make sure that you did not forget to pay any amounts due.

If you have not yet contacted us about preparing your 2019 tax returns, time is running out; so please send us your tax information. If you know that you want to file an extension, we will still need your tax information to determine whether you need to send money with your extension.

If we have started your tax return, and you owe us information, please let us know if you will have the information before the July 15th deadline or not. If not, it would be best to not leave preparing your extension to the last minute.

For most extensions, it is best to direct debit the balances from your bank account. New York actually requires that you do that. It will be important to confirm your bank information with us.

The US Treasury Department has stated that there will not be a further delay of the tax filing deadline so you must file your return or an extension by July 15th to ensure compliance. With an extension you will have until October 15th 2020 to file your tax returns, but your taxes are due by July 15th 2020.

Many estimated tax payments which are usually due April 15th and June 15th are now due July 15th. It is important to remember that if you had federal estimated tax payments due for the 1st quarter and/or 2nd quarter of 2020, those payments are now due July 15th. If you pay estimated taxes it is important to be mindful of the July 15th deadline, even if you have already filed your tax return.

PPP Loans

For businesses and self-employed people that received PPP loans and don't have outside rent, it will be best to not request the forgiveness of the loan based on the 8-week period. You are much better off using the 24-week period. If you don't pay anything for business rent and utilities, or pay less than 25% of your loan proceeds for rent and utilities, this is the only way to maximize owners' compensation (see below) and have full forgiveness of the loan.

To meet the minimum standards for forgiveness 60% (for the 24-week program) or 75% (for the 8-week program) of your PPP loan must be used toward payroll costs. You are absolutely allowed to use more than those percentages for payroll related costs up to the allowable individual maximum amounts.

- Under the 8-week program the allowable individual maximum amount is \$15,834.
- Under the 24-week program the maximum allowable amount is \$46,154 for employees and \$20,833 for shareholders / business owners / self-employed people.

Under the 24-week program, shareholders / business owners / self-employed people will need to be paid for at least 11 weeks to maximize loan forgiveness.

For those businesses that do pay outside rent and utilities, some of you will want to file for forgiveness after the 8-week period has passed.

Due to the July 15th tax deadline we will not be able to assist you with your PPP forgiveness applications until after the deadline. In addition, we think there may be a benefit to waiting a few weeks before applying for forgiveness. There have been discussions about another amendment which may allow forgiveness for any PPP under \$150,000. However, this has not been finalized.

A bill has just been passed extending the PPP program. If the President signs it, it will still be possible to apply for a PPP forgivable loan until August 8th. Applications must be processed through a qualified lender.

If your 8-week or 11-week term has expired, you may be eligible to apply for or resume Unemployment Benefits.

Unemployment Benefits

Under the Pandemic Unemployment Assistance Expansion of Unemployment Benefits, self-employed people and small business owners are entitled to unemployment insurance benefits. If you have not applied, it is important to apply as soon as possible as the increased Federal Benefit of \$600 per week is set to expire on 07/26/2020. Unemployment benefits, including the Expanded Federal Benefit, can be applied for through your state's Department of Labor website.

EIDL Loan

For businesses and self-employed people that have applied for or received EIDL Loans, it is important to remember that this loan cannot be forgiven. These are 30-year loans with an interest rate of 3.75%. It is still possible to apply for this loan also. Applications are processed through the SBA (Small Business Association) at <https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>.

Health Insurance

For New York residents that have lost their health insurance during this crisis, NY is keeping their healthcare exchange open until July 15th. If you qualify for Medicaid or the New York Essential Plan, you pay nothing or \$20 to \$40 a month of the plan, and that is it. If you instead qualify for a premium tax credit, it is based on your income. They estimate the premium tax credit, but you will not know what your actual credit is until we file your tax return next year. When we file we have to include all of your income from the current year including income earned prior to your unemployment, unemployment income, distributions from retirement accounts, and income from when you start working again later in the year. Therefore, it is possible that you will be required to repay some or all of the credit. So, if you qualify, your best choices are Medicaid or the Essential Plan.

Retirement Distributions Due to Covid-19

Under the CARES Act, distributions up to \$100,000 can be withdrawn from IRA's and qualified retirement plans without penalty. We have received a lot of calls about this and it is important to remember that these distributions are not tax-free. The distribution can be penalty-free if related to COVID-19, but the tax must still be paid on the withdrawal.

If you are able to repay any of the distribution within the three-year period, it is possible to amend your returns to reflect the repayment.

Required Minimum Distributions

If you have not already withdrawn your RMD for 2020, a waiver has been issued under the CARES Act. You do not need to take an RMD for 2020. If you have already withdrawn your RMD for 2020 the IRS announced on June 23, 2020 that you may be able to roll those funds back into your retirement plan under the CARES Act RMD waiver for 2020. The rollback must be completed by August 31, 2020.

We want to wish you a safe and restful holiday weekend.

Please contact us with any questions about the above information.

All the best,

The Staff of SJ Associates

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