

SANGRA MOLLER LLP*Barristers & Solicitors***LEGAL CURRENCY***A Client Communication****COVID-19: Relief for United States Taxpayers and Employers***

The United States Treasury Department and Internal Revenue Service ("IRS") have announced a number of tax relief measures available to United States taxpayers in response to the COVID-19 pandemic, certain of which are described below.

I. Filing and Payment Deferral

For individuals: the income tax payment deadline for individual returns is being deferred from April 15, 2020 to July 15, 2020, without penalty, in respect of taxes due for the 2019 taxation year of up to \$1 million. This relief applies to all individual tax returns (including self-employed individuals) and all entities other than a consolidated group or C-Corporation, such as trusts or estates.

For a consolidated group or C-Corporation: the income tax payment deadline for a consolidated group or C-Corporation is also being deferred from April 15, 2020 to July 15, 2020, without penalty, in respect of taxes due for the 2019 taxation year of up to \$10 million. This relief also applies to estimated tax payments for the 2020 tax year that are due April 15, 2020.

Any taxes due above \$1 million for individuals or \$10 million for a consolidated group or C-Corporation remain due April 15, 2020.

For all taxpayers, penalties and interest will begin to accrue on unpaid balances starting July 16, 2020.

On March 20, 2020, the United States Treasury Secretary announced that the tax filing deadline has also been deferred from April 15, 2020 to July 15, 2020 for all taxpayers. It is unclear at this time whether this will modify the previously announced limits.

The above payment deferral relief only applies to federal income tax payments otherwise due to April 15, 2020 and does not apply to state tax payments, deposits or payment of any other type of federal tax. However, some states, including California, have announced extensions in line with federal deferrals.

II. Business Tax Credit

The *Families First Coronavirus Response Act* (the "Act"), signed into law on March 18, 2020, provides a business tax credit for small and mid-size employers with fewer than 500 employees who are required to provide paid sick leave and paid family and medical leave, as discussed below.

Employees can receive 2 weeks (up to 80 hours) of paid sick leave at 100% of the employee's regular rate of pay where the employee is unable to work because the employee is quarantined, and/or experiencing COVID-19 symptoms and seeking a medical diagnosis. The foregoing is subject to a maximum of \$511 per day and \$5,110 in the aggregate over the 2 week period.

An employee who is unable to work because of a need to care for an individual subject to quarantine, to care for a child whose school is closed or child care provider is unavailable for reasons related to COVID-19, and/or the employee is experiencing substantially similar conditions can receive two weeks (up to 80 hours) of paid sick leave at 2/3 the employee's regular rate of pay. The foregoing is subject to a maximum of \$200 per day and \$2,000 in the aggregate over the 2 week period.

In the case of paid leave to care for a child whose school is closed or child care provider is unavailable for reasons related to COVID-19, up to 10 weeks of additional leave can be counted towards the child care

leave credit, subject to an additional maximum of \$200 per day and \$10,000 over such additional 10 week period.

Self-employed individuals receive an equivalent credit.

Employers receive 100% reimbursement for the paid leave described above in the form of a refundable sick leave tax credit, and health insurance costs are also included in the credit.

The employer tax credit is obtained by way of an immediate dollar-for-dollar tax offset against payroll taxes. Where a refund is owed, the IRS will send the refund as quickly as possible.

Small businesses with fewer than 50 employees will be eligible for an exemption from the leave requirements relating to school closings or child care unavailability where the requirements would jeopardize the ability of the business to continue as a going concern.

The Department of Labor announced it will be issuing a temporary non-enforcement policy that provides a period of time for employers to come into compliance with the Act, and will not bring an enforcement action against any employer for violations so long as the employer has acted reasonably and in good faith to comply with the Act.

This communication is intended to provide general information as a service to our clients and should not be construed as legal advice or opinions on specific facts.