

**TAX PROVISIONS OF THE CARES
ACT THAT AFFECT REAL ESTATE
PROFESSIONALS**

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A little about me -

- ◎ CPA
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- ◎ Masters in Taxation - Seton Hall
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Wed, April 1, 2020 Governor Murphy issued a statement announcing that **New Jersey's tax filing deadline is extended from April 15 to July 15**

I'm not sure you don't have to file an extension

An item that to remember -

- These laws can be unclear and confusing, this law was rushed through Congress
- **For example** - Trump's tax law of December 2017 created Qualified Opportunity Zones (QOZ) which could only be invested in through a Qualified Opportunity Fund. Final Regulations explaining QOZ were not completed until December 2019!
- Please feel free to email me at jkhcpams@aol.com

(e) REGULATORY AUTHORITY.—The Secretary of the Treasury (or the Secretary's delegate) shall issue such regulations or other guidance as necessary to carry out the purposes of this section.

1031 Like Kind Exchanges -

- ◉ Defers taxes on gains from sale of investment real estate if reinvest in another real estate within 180 days
- ◉ Replacement property must be identified within 45 days
- ◉ Replacement property must be obtained within 180 days
- ◉ Any extensions?

- ◎ \$2.2 Trillion infusion of money into the economy
- ◎ Potential of additional \$4+ Trillion

NJEDA Announces Application Launch Date for COVID-19 Grants Friday April 3

Applications -

⦿ [https:// cv.business.nj.gov](https://cv.business.nj.gov)

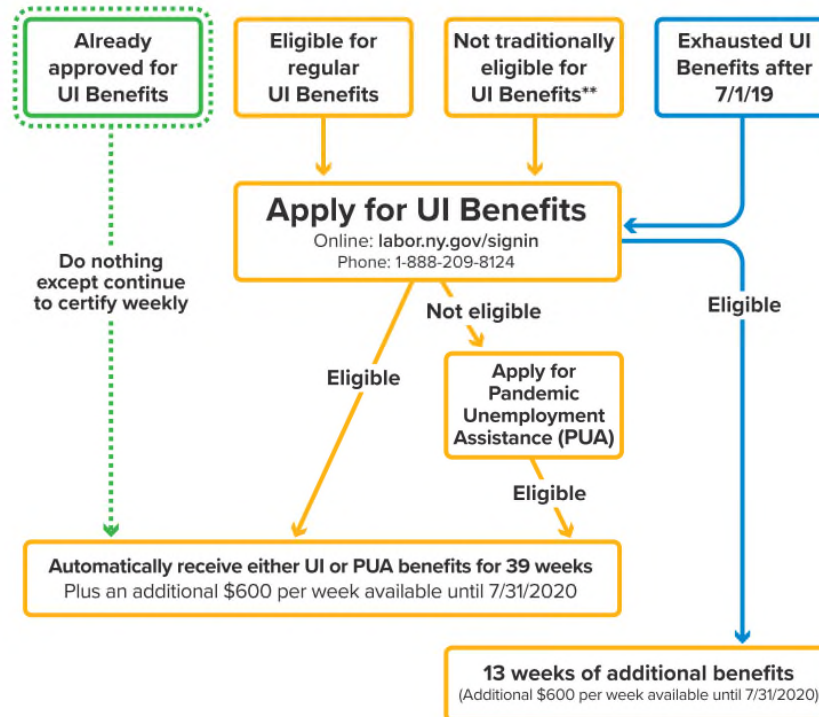
⦿ <https://cv.business.nj.gov>

RELIEF FOR WORKERS AFFECTED BY CORONAVIRUS ACT

WHAT YOU NEED TO KNOW AND DO ABOUT THE CARES ACT



The federal CARES Act was signed into law March 27, 2020. The Act provides enhanced Unemployment Insurance (UI) benefits and Pandemic Unemployment Assistance (PUA) for New Yorkers. Here's what you need to know.



**labor.ny.gov/ui/pdfs/pandemic-unemployment-assistance.pdf

MORE INFORMATION:

See Frequently Asked Questions About UI During the Coronavirus Emergency:
labor.ny.gov/ui/coronavirus-faq.shtm

To apply for UI benefits file on these days:

Filing for UI benefits is based on your last name.

A - F file on Monday | G - N file on Tuesday | O - Z file on Wednesday

Missed your day? File on Thurs-Fri-Sat

Revised v2 (3/30/20)

	Section 7(a) Traditional Loan	Section 7(a)(36) Paycheck Protection Loan	Section 7(b)(2) Disaster Loan
Dates available	Ongoing	Feb. 15 – June 30, 2020	Jan. 31 – Dec. 31, 2020
Who is the lender?	SBA	Banks approved by SBA	SBA
Who is eligible?	Based on size/industry	Fewer than 500 employees	Fewer than 500 employees
Maximum loan size	\$5 million	\$10 million	\$2 million
Guaranteed by SBA?	85% for loans up to \$150,000; 75% for loans over \$150,000	100% through Dec. 31, 2020	Generally same as traditional 7(a) loan.
Duration	10/25 years	10 years	30 years
Interest rate	1% -2.75%	Up to 4%	3.75% (for profit)/2.75% (not-for-profit)
Is forgiveness available?	No, but 6 months of payment (See S1112 of the CARES Act)	Yes. 8 weeks of payroll, rent, mortgage, utilities.	No.
Advance grant available?	No	No	\$10,000
Allowable use of funds	Many (but can't duplicate 7(a)(36) loans)	Payroll, mortgage, rent, utilities	Obligations and expenses that could have been met if no disaster had occurred (can't duplicate 7(a)(36) loans.
Is collateral required?	Yes	No	The assets of the business



Advance payment of tax credit for 2020

- ◉ \$1200 for single taxpayers or \$2400 for married filing jointly taxpayers
- ◉ Additional \$500 for qualifying child under age 17
- ◉ AGI phase out begins at \$75,000 if single and \$150,000 if married filing jointly
- ◉ Once that taxpayer reaches those threshold amounts payment is reduced \$5 for every \$100 that AGI exceeds thresholds

- ⦿ **“SEC. 6428. 2020 RECOVERY REBATES FOR INDIVIDUALS.**
- ⦿ **“(a) IN GENERAL.—**In the case of an eligible individual, there shall be allowed as a credit against the tax imposed by subtitle A for the first taxable year beginning in 2020 an amount equal to the lesser of—

Retirement Plan Changes

- ⦿ Individuals that receive a “coronavirus-related distribution” during 2020 will not be subject to the 10% penalty on early withdrawals of up to \$100,000 from qualified retirement plans.

- A “coronavirus-related distribution” is one made during the 2020 calendar year to an individual, or spouse of an individual, diagnosed with COVID-19, or to an individual who experiences adverse financial consequences as a result of quarantine, business closure, furlough, layoff, or reduced hours due to the virus.

- ⦿ These distributions are subject to regular income tax, although the tax may be spread over three years.
- ⦿ Any “coronavirus-related distribution” may be treated as a non-taxable rollover contribution if the funds are repaid to the plan within three years of the date the distribution was received.

- ⦿ Required minimum distributions (RMDs) for IRAs and defined contribution plans, such as profit sharing and 401(k) plans, are waived for 2020, including the first RMD for individuals that reached age 70½ during 2019.
- ⦿ These are waived regardless of whether the taxpayer has been impacted by the pandemic.

- If an RMD has already been received during 2020, it may be rolled over or rolled back into the plan within 60 days in order to defer paying taxes on the RMD. (We expect that the IRS may extend the 60-day requirement.)

- ◉ *Why this matters?* An RMD is calculated using the balance of an individual retirement account on December 31st of the year prior to the date it must be distributed to a participant.
- ◉ The stock market closed significantly higher on December 31, 2019 than it is today. An RMD calculated based on a December 31, 2019 value could lead to a disproportionate RMD relative to today's account values.

- The limit on loans from a qualified employer plan to a qualified individual is increased from \$50,000 to \$100,000 through December 31, 2020.

Charitable Donations.

- ◉ Individuals are allowed an above-the-line deduction of up to \$300 for charitable contributions for tax years beginning in 2020. This is allowed for individuals that do *not* itemize deductions.
- ◉ Individuals that itemize in 2020 may elect a 100% of AGI limitation (rather than 60%) for cash charitable contributions.
- ◉ The limit on deductible contributions for C Corporations has been increased from 10% to 25% of taxable income.

Employer Payroll Tax Delay

- Starting w the date the law as signed (March 27, 2020) until Dec 31, 2020 the employer can deferring paying their 6.2% of the FICA tax. **Includes self-employed individuals.**
- The deferment must be paid in two installments - Dec 31, 2021 & Dec 31, 2020.
- An employer who received a Small Business Act loan that was forgiven under the CARES Act is not eligible for the deferral.

Paycheck Protection Program

- For small businesses, nonprofits, sole proprietors and independent contractors with up to 500 employees
- Loan amount the lesser of (a) 10M or (b) 2.5 X average monthly payroll
- Up to 2 years maturity at 0.5% interest rate
- Forgivable loans if you maintain payroll and wages, reduction in any forgiveness in relation to any reduction in payroll or wages
- Meant to cover the next 8 weeks of allocable costs, but must maintain payroll level and wages through June 30, 2020

New Employee Retention Payroll Tax Credit

- For employers subject to closure or significant decline in gross receipts
- Credit is against 6.2% “employer share of Social Security taxes
- Credit amount is 50% of qualified wages paid
 - Wages paid from 3/13/2020 - 12/31/2020
 - Up to \$10,000 per employee
 - If more than 100 full-time employees, only wages paid to employees not performing services
 - Credit not available if employer gets Paycheck Protection Loan

- If there aren't sufficient employment taxes to cover the employee retention credit, employers can obtain an advance payment of the credits by filing Form 7200, Advance Payment of Employer Credits Due to COVID-19. NOTE: The IRS released a DRAFT Form 7200 on March 31, 2020. This form is not yet available for filing.
- Form 7200 can be used to request advance payments of the employee retention credit along with qualified sick and family leave credits. NOTE: Form 7200 cannot be used to an advance payment of the credits for sick and family leave for self-employed individuals.

Relaxation of New Operating Losses (NOLs)

- ◎ Under Trump's 2017 tax law NOLs were limited to 80%
 - If you had a loss of \$100,000, you were only allowed to use \$80,000 against other income. The remainder got carried forward to future years.
- ◎ Now you can take 100% of the NOLs for 2018, 2019, 2020
- ◎ It is not known how to take the NOL for returns already filed

Relaxation of limitation on business interest

- ◉ Under Trump's 2017 tax law if gross receipts are \$25M or over for the past three years
- ◉ Interest expense limitation was 30% of adjusted taxable income (ATI) (essentially taxable income plus depreciation plus amortization and interest expense)
- ◉ Percentage is changed to 50% of ATI for 2019 & 2020 other than those taxed as partnerships
- ◉ Taxpayers can elect out of the provisions

Qualified Improvement Property

- ◉ Under Trump's 2017 tax law Bonus Depreciation was not allowed on Qualified Improvement Property in commercial real estate
- ◉ They CARES Act now all 100% expensing retroactive to 2018
- ◉ Amend returns?

