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## Five-Minute Tax Briefing<sup>®</sup>

**April 07, 2020**

**No. 2020-07**

### Highlights

**Draft Form for Advance Payment of Employer Credits Due to COVID-19:** The IRS has released a draft of Form 7200 (Advance Payment of Employer Credits Due to COVID-19), which employers may use to request an advance payment of the tax credits for qualified leave wages or qualified retention wages. Employers that file Form 941, Form 943, Form 944, or Form CT-1 may use the form. Before filing Form 7200, employers should first reduce their employment tax deposits to account for the credits. Then, employers can use Form 7200 to request the amount of the credit that exceeds their reduced deposits. Employers will need to reconcile any advanced credits and reduced deposits on their 2020 employment tax return. The form can be filed at any time before the end of the month following the quarter in which qualified wages were paid. If necessary, the form can be filed several times during each quarter. The completed form should be faxed to 855-248-0552. The draft form can be accessed at [www.irs.gov/pub/irs-dft/f7200--dft.pdf](http://www.irs.gov/pub/irs-dft/f7200--dft.pdf).

**IRS Provides Guidance on 2020 Recovery Rebates:** Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), single individuals with Adjusted Gross Income (AGI) up to \$75,000 [\$112,500 for Heads of Household (HOH)] will generally receive a \$1,200 rebate, and joint filers with AGI up to \$150,000 will receive a rebate of \$2,400. An additional \$500 rebate is available for each qualifying child under age 17. The total rebate will be reduced by \$5 for each \$100 that a taxpayer's AGI exceeds the phase-out threshold. In a recent News Release, the IRS announced that automatic distribution of rebate payments will begin in the next three weeks. No

action is required for most taxpayers. To accommodate taxpayers who haven't provided direct deposit information to the IRS, a web-based portal is being developed to collect such information. News Release IR 2020-61 .

**President Trump Signs Coronavirus Aid, Relief, and Economic Security Act:** Congress has passed, and President Trump has signed, the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Among other things, the CARES Act (1) provides recovery rebates for individuals (subject to a phase-out); (2) waives the 10% penalty tax on early retirement account withdrawals for coronavirus-related distributions; (3) temporarily waives the Required Minimum Distribution (RMD) rules for certain retirement accounts; (4) provides a \$300 above-the-line deduction for 2020 cash contributions to certain public charities; (5) excludes from income certain employer payments of student loans; (6) creates a new employee retention credit; (7) delays payment of employer payroll taxes through the end of 2020; (8) modifies the Net Operating Loss (NOL) rules by providing a five-year carryback and temporarily removing the 80% limitation for carryforwards; (9) retroactively suspends the Section 461(l) excess business loss limitation rule; and (10) temporarily increases the Section 163(j) interest limitation from 30% to 50% of Adjusted Taxable Income (ATI). The full legislative text of the bill is available at [www.congress.gov/bill/116th-congress/house-bill/748/text](http://www.congress.gov/bill/116th-congress/house-bill/748/text). P.L. 116-136. For a high-level summary of the CARES Act, see NTA-1103 in this issue. For time-sensitive matters relating to the CARES Act that you should share with clients, see TAM-2024 in this issue.

## Other Current Releases

**Employment Tax—Effective Date for New Employment Tax Credits:** Enacted on 3/18/20, the Families First Coronavirus Response Act (FFCRA) provides refundable credits against an employer's Section 3111(a) tax (the 6.2% portion of the FICA tax) or Section 3221(a) railroad retirement tax to cover wages required to be paid to employees while they are taking coronavirus-related paid leave. The FFCRA also provides for similar sick leave and family leave refundable credits against the self-employment tax. In a recent Notice, the IRS announced that the credits apply only to wages paid for the period beginning on 4/1/20 and ending on 12/31/20. Similarly, the credits for self-employed individuals apply only to days occurring during the period beginning on 4/1/20 and ending on 12/31/20. Notice 2020-21.

**Identity Theft—IRS Issues Warning about Coronavirus-related Scams:** The IRS warned taxpayers to watch out for emails, text messages, websites, and social media attempts related to the coronavirus that request money or personal information. Taxpayers should not click on links from emails that appear to come from the IRS. The IRS and its Criminal Investigation Division have seen a wave of new and evolving phishing schemes against taxpayers. In most cases, the IRS will deposit economic impact payments into the direct deposit account taxpayers previously provided on tax returns. Taxpayers who have previously filed but not provided direct deposit information to the IRS will be able to provide their banking information through a newly designed secure portal on

www.irs.gov in mid-April. If the IRS does not have a taxpayer's direct deposit information, a check will be mailed to the address on file. No one from the IRS will be reaching out to taxpayers by phone, email, mail, or in person asking for information to complete economic impact payments. News Release IR 2020-64.

**IRS Announces Plan to Implement Coronavirus-related Payroll Tax Credits:** The IRS has announced that small and midsize employers can begin taking advantage of two new refundable payroll tax credits provided by the Families First Coronavirus Response Act (the Act). The credits are designed to give businesses with fewer than 500 employees funds to provide coronavirus-related paid leave, either for an employee's own health needs, or to care for family members. Under the Act, employees receive up to 80 hours of paid sick leave for coronavirus-related reasons and expanded paid child care leave when schools are closed or child care providers are unavailable. To take immediate advantage of the paid leave credits, employers 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. News Release IR 2020-57 .

**IRS FAQs Address 90-day Filing and Payment Extension:** The IRS has released a set of Frequently Asked Questions (FAQs) that clarifies certain aspects of the 90-day filing and payment extension provided in Notice 2020-18. Among other things, the FAQs explain that Notice 2020-18 postpones the filing and payment of federal income taxes reported on Form 1040, Form 1041 , Form 1120, Form 8960, Form 8991 , and Form 990-T (if that form is due to be filed on 4/15/20). The due date has not been postponed for Form 1065, Form 1065-B , Form 1066, Form 1120-S, payroll taxes, excise taxes, and Form 990-T (if that form is due 5/15/20). The FAQs also provide that the deadline for making contributions to an IRA, HSA, or Archer MSA for 2019 has been extended to 7/15/20. The IRS continues to consider additional guidance on these issues and cautions taxpayers that FAQs are not citable as legal authority. The FAQs can be accessed at [www.irs.gov/newsroom/filing-and-payment-deadlines-questions-and-answers](http://www.irs.gov/newsroom/filing-and-payment-deadlines-questions-and-answers) .

**IRS Operations during Coronavirus Outbreak:** The IRS has provided an overview of its operations during the COVID-19 outbreak. The IRS is focusing on critical activities, including accepting returns and sending refunds. All Taxpayer Assistance Centers (TACs) are closed, and face-to-face service is discontinued throughout the country until further notice. Currently, the IRS has limited live telephone customer service assistance available. Wait times will be lengthy. Also, the IRS will be responding to paper correspondence only to a very limited degree. The IRS continues to work cases where the statute of limitations period is ending. Appeals employees are not currently holding in-person conferences, but conferences may be held via telephone or video conference. The Taxpayer Advocate Service (TAS) remains open for local phone calls, but walk-in services have been suspended. The IRS continues to process applications for exempt organizations, rulings and determinations for employee plans, and closing agreements for municipal issuers. For more information, see [www.irs.gov/newsroom/irs-operations-during-covid-19-mission-critical-functions-continue](http://www.irs.gov/newsroom/irs-operations-during-covid-19-mission-critical-functions-continue) .

**IRS Temporarily Adjusts Key Compliance Programs:** The IRS has unveiled its "People First Initiative," which provides immediate relief to those facing the challenges of the coronavirus (COVID-19). Among other things, the initiative (1) suspends payments due between 4/1/20 and 7/15/20 for taxpayers under an existing installment agreement; (2) stops installment agreements from going into default during this period (although interest will continue to accrue on any unpaid balances); (3) gives taxpayers until 7/15/20 to provide requested additional information to support a pending Offer in Compromise (OIC); (4) allows taxpayers to suspend all payments on accepted OICs until 7/15/20 (although interest will continue to accrue on any unpaid balances); and (5) stops OICs from going into default for those who are delinquent in filing their 2018 tax return. The initiative also suspends certain liens and levies; new passport certifications for "seriously delinquent" taxpayers; the forwarding of new delinquent accounts to private collection agencies; and new field, office, and correspondence audits. News Release IR 2020-59 .

**Penalties—IRS Provides Penalty Relief for Failure to Deposit Employment Taxes:** Under the Families First Coronavirus Response Act (FFCRA) and the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), employers that pay qualified leave wages or qualified retention wages may take refundable tax credits against a specified portion of their share of certain employment taxes. The IRS has provided relief from the Section 6656 penalty for failure to timely deposit employment taxes to the extent the amounts not deposited are equal to or less than the amount of refundable tax credits to which the employer is entitled under the FFCRA and the CARES Act. This ensures that employers may pay qualified leave wages or qualified retention wages using employment taxes that would otherwise be required to be deposited without incurring a penalty. This relief applies to qualified leave wages paid 4/1/20 through 12/31/20 and qualified retention wages paid 3/13/20 through 12/31/20. Notice 2020-22.

**Procedure—Hearings on Notices of Proposed Rulemaking to Be Held Telephonically:** The IRS has announced that until further notice, all public hearings on notices of proposed rulemaking will be conducted by telephone. Those who want to testify at a public hearing must still request to testify, submit timely public comments, and provide outlines of topics they intend to cover in their testimony. In addition, they must send an email to [publichearings@irs.gov](mailto:publichearings@irs.gov) to receive the telephone number and access code for the hearing. The subject line of the email must contain the regulation number (REG-XXXXXX-XX) for the hearing and the word "TESTIFY." Those who want to attend a hearing by telephone also must send an email to the same address to receive the telephone number and access code. The email's subject line must contain the regulation number and the word "ATTEND." The IRS strongly encourages individuals to submit public comments via the Federal eRulemaking Portal at [www.regulations.gov](http://www.regulations.gov) . Announcement 2020-4 .

**Procedure—IRS Provides 90-day Filing Extension:** The IRS has announced that the due date for filing federal income tax returns has been automatically extended from 4/15/20 to 7/15/20. Taxpayers also can defer federal income tax payments due on 4/15/20 to 7/15/20 without penalties and interest regardless of the amount owed. This deferment applies to all taxpayers, including individuals, trusts and estates, corporations, and other noncorporate tax filers, as well as those

who pay self-employment tax. Taxpayers do not need to file additional forms or call the IRS to qualify for this automatic federal tax filing and payment relief. Individuals who need additional time to file beyond the 7/15/20 deadline can request an extension by filing Form 4868. Businesses that need additional time must file Form 7004 . The IRS urges taxpayers who are due a refund to file as soon as possible. Notice 2020-17, which only provided a 90-day tax payment extension, has been superseded. Notice 2020-18 and News Release IR 2020-58.

**Procedure—Relief Extended to Gift and Generation-skipping Transfer Tax Returns:** In Notice 2020-18, the IRS announced that the due date for filing federal income tax returns has been automatically extended from 4/15/20 to 7/15/20. Also, taxpayers can defer federal income tax payments due on 4/15/20 to 7/15/20 without penalties and interest regardless of the amount owed. The IRS has now extended this relief to all taxpayers who have federal gift (and generation-skipping transfer) tax returns and payments due on 4/15/20. Therefore, the due date for filing Form 709 has been automatically postponed until 7/15/20. In addition, associated interest, additions to tax, and penalties for late filing or late payment will be suspended until 7/15/20. Notice 2020-20, amplifying Notice 2020-18.

**Procedure—Seniors Won't Have to File Returns to Receive Recovery Rebate:** In News Release IR 2020-61, the IRS stated that some seniors and others who typically don't file returns will need to submit a simple tax return to receive their 2020 recovery rebate, as authorized by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). After receiving letters from members of Congress expressing concerns about this decision, the IRS has decided to change its policy. According to Treasury Secretary Mnuchin, "Social Security recipients who are not typically required to file a tax return need to take no action, and will receive their payment directly to their bank account." For Social Security recipients who didn't file tax returns in 2018 or 2019, the IRS will use information on Form SSA-1099 and Form RRB-1099 to generate stimulus payments.

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