

# Supplement

## 2020 Coronavirus (COVID-19) Tax Relief Legislation

### CORONAVIRUS (COVID-19) AID AND ECONOMIC STABILITY

After *Federal Taxation: Basic Principles* and *Federal Taxation: Comprehensive Topics* went to press Congress passed two major pieces of tax legislation meant to help businesses and individuals respond to the coronavirus (COVID-19) pandemic. The first, the Families First Coronavirus Response Act (P.L. 116-127), provides many sectors of the health community with resources to help contain and combat the virus while also providing employees affected by the pandemic with guaranteed paid sick leave. The Act provides employers with tax credits for the payment of the sick leave. It was passed by the House of Representatives on March 14, 2020, by a vote of 363-40 and by the Senate on March 18, 2020, by a vote of 90-8. The President signed it into law on March 18, 2020.

The Coronavirus Aid, Relief, and Economic Security Act (P.L. 116-136) provides economic assistance to nearly every sector of the economy, and includes tax benefits meant to inject liquidity into the marketplace. It was passed by the Senate on March 25, 2020, by a vote of 96-0, and passed in the House of Representatives by voice vote on March 27, 2020. The President signed it into law on March 27, 2020.

The following Wolters Kluwer-prepared summary highlights the tax provisions impacting individuals and businesses. This summary should be read in conjunction with *Federal Taxation: Basic Principles* and *Federal Taxation: Comprehensive Topics*. We hope you find this beneficial in order to gain a better understanding of the tax provisions enacted in response to the coronavirus(COVID-19) pandemic.

April 2020  
Wolters Kluwer

## 2020 Tax Legislation: Law, Explanation & Analysis

### ¶105

### RECOVERY REBATE CREDITS (ECONOMIC IMPACT PAYMENTS) FOR INDIVIDUALS

Recovery Rebate Credits for 2020 will be refunded in advance via economic impact payments of up to \$1,200 for an eligible individual plus \$500 for a qualifying child. Almost everyone but dependents and nonresident aliens is eligible, but the credit is phased out for higher-income taxpayers.

**Effective date.** No effective date is provided by the Act. The provision is therefore considered effective on March 27, 2020, the date of enactment.

#### Law source:

- Act Sec. 2201(a) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136)), adding Code Sec. 6428;
- Act Sec. 2201(b), amending Code Secs. 6211(b)(4)(A) and 6213(g)(2)(L).

### ¶110

### FILING EXTENSIONS & OTHER RELIEF

The Treasury Department and IRS postponed until July 15, 2020, a variety of tax form filings and payment obligations that are due between April 1, 2020 and July 15, 2020. Associated interest, additions to tax, and penalties for late filing or late payment will be suspended until July 15, 2020. Additional time to perform certain time-sensitive actions during this period is also provided. This notice also postpones due dates with respect to certain government acts and postpones the application date to participate in the Annual Filing Season Program.

#### Relief Measures

- **Taxpayers Affected by COVID-19 Emergency.** Any person (as defined in Code Sec. 7701(a)(1)) with a federal tax payment obligation specified in the notice, or a federal tax return or other form filing obligation specified in the notice, which is due to be performed (originally or pursuant to a valid extension) on or after April 1, 2020, and before July 15, 2020, is affected by the COVID-19 emergency for purposes of the relief described in section III of this notice.
- **Postponement of Due Dates.** For an affected taxpayer with respect to specified filing and payment obligations, the due date for filing specified forms and making specified payments is automatically postponed to July 15, 2020. This relief is automatic; affected taxpayers do not have to call the IRS or file any extension forms, or send letters or other documents to receive this relief. However, affected taxpayers who need additional time to file may choose to file the appropriate extension form by July 15, 2020, to obtain an extension to file their return, but the extension date may not go beyond the original statutory or regulatory extension date.
- **Specified Time-Sensitive Actions.** Affected taxpayers also have until July 15, 2020, to perform all specified time-sensitive actions, that are due to be performed on or after April 1, 2020, and before July 15, 2020. This relief includes the time for filing all petitions with the Tax Court, or for review of a decision rendered by the Tax Court, filing a claim for credit or refund of any tax, and bringing suit upon a claim for credit or refund of any tax.
- **Due Dates with Respect to Certain Government Acts.** This notice also provides the IRS with additional time to perform the time-sensitive actions described in Reg. §301.7508A-1(c)(2). Due to the COVID-19 emergency, IRS employees, taxpayers, and other persons may be unable to access documents, systems, or other resources necessary to perform certain time-sensitive actions due to office closures or state and local government executive orders restricting activities.
- **Annual Filing Season Program.** Under Rev. Proc. 2014-42, I.R.B. 2014-29, 192, applications to participate in the Annual Filing Season Program for the 2020 calendar year must be received by April 15, 2020. The 2020 calendar year application deadline is postponed to July 15, 2020.

## Specified Forms and Payments

The filing and payment obligations covered by this notice include the following:

- Individual income tax payments and return filings on Form 1040, Form 1040-SR, Form 1040-NR, Form 1040-NR-EZ, Form 1040-PR, and Form 1040-SS.
- Calendar year or fiscal year corporate income tax payments and return filings on Form 1120, Form 1120-C, Form 1120-F, Form 1120-FSC, Form 1120-H, Form 1120-L, Form 1120-ND, Form 1120-PC, Form 1120-POL, Form 1120-REIT, Form 1120-RIC, Form 1120-S, and Form 1120-SF.
- Calendar year or fiscal year partnership return filings on Form 1065 and Form 1066.
- Estate and trust income tax payments and return filings on Form 1041, Form 1041-N, and Form 1041-QFT.
- Estate and generation-skipping transfer tax payments and return filings on Form 706, Form 706-NA, Form 706-A, Form 706-QDT, Form 706-GS(T), Form 706-GS(D), Form 706-GS(D-1), and Form 8971.
- Gift and generation-skipping transfer tax payments and return filings on Form 709 that are due on the date an estate is required to file Form 706 or Form 706-NA.
- Estate tax payments of principal or interest due as a result of an election made under Code Secs. 6166, 6161, or 6163 and annual recertification requirements under Code Sec. 6166.
- Exempt organization business income tax and other payments and return filings on Form 990-T.
- Excise tax payments on investment income and return filings on Form 990-PF and return filings on Form 4720.
- Quarterly estimated income tax payments calculated on or submitted with Form 990-W, Form 1040-ES, Form 1040-ES (NR), Form 1040-ES (PR), Form 1041-ES, and Form 1120-W.

Notice 2020-23, IRB 2020-18, amplifying Notice 2020-18, I.R.B. 2020-15, 590, and Notice 2020-20, I.R.B. 2020-16, 660. Rev. Proc. 2014-42, I.R.B. 2014-29, 192, is modified, applicable for calendar year 2020.

## ¶115

### CHARITABLE CONTRIBUTION DEDUCTION FOR NON-ITEMIZING INDIVIDUALS (ABOVE-THE-LINE DEDUCTION)

For tax years beginning in 2020, an individual who does not itemize deductions can deduct up to \$300 in charitable contributions made to churches, nonprofit schools, nonprofit medical institutions, and other organizations as an above-the-line deduction in calculating adjusted gross income (AGI).

**Effective date.** The amendments made by this section apply to tax years beginning after December 31, 2019 (Act Sec. 2204(c) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136)).

#### Law source:

- Act Sec. 2204(a) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136), adding Code Sec. 62(a)(22);
- Act Sec. 2204(b), adding Code Sec. 62(f);
- Act Sec. 2204(c), providing the effective dates.

## ¶120

### CHARITABLE CONTRIBUTION DEDUCTION LIMITATIONS FOR INDIVIDUALS

The percentage limitation on the charitable deduction contribution base for individuals is suspended for 2020.

**Effective date.** The amendments made by this section apply to tax years beginning after December 31, 2019 (Act Sec. 2205(c) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136)).

#### Law source:

- Act Sec. 2205(a)(1), (a)(2)(A), and (a)(3) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136)
- Act Sec. 2205(c) providing the effective date.

## ¶125

## EXCLUSION FROM INCOME FOR STUDENT LOAN PAYMENTS BY EMPLOYERS

Certain payments made by an employer on a qualified student loan of an employee before January 1, 2021, are excluded from the employee's gross income.

**Effective date.** The amendments made by this section apply to payments made after March 27, 2020, the date of enactment (Act Sec. 2206(c) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136)).

### Law source:

- Act Sec. 2206(a) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136), amending Code Sec. 127(c)(1);
- Act Sec. 2206(b) amending Code Sec. 221(e)(1);
- Act Sec. 2206(c), providing the effective date.

## ¶205

## HEALTH SAVINGS ACCOUNT (HSA) ELIGIBILITY

For plan years beginning on or before December 31, 2021, a safe harbor for health savings accounts (HSAs) provides that a health plan will not fail to be treated as a high-deductible health plan (HDHP) for failing to impose a deductible for telehealth or other remote care services.

**Effective date.** The amendments made by this section take effect on March 27, 2020, the date of the enactment (Act Sec. 3701(c) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136)).

### Law source:

- Act Sec. 3701(a) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136), adding Code Sec. 223(c)(2)(E);
- Act Sec. 3701(b), amending Code Sec. 223(c)(1)(B);
- Act Secs. 3701(c), providing the effective date.

## ¶210

## QUALIFIED MEDICAL CARE EXPENSES FOR HSAS, ARCHER MSAS, HRAS, AND HEALTH FSAS

Beginning for amounts paid or incurred after 2019, over-the-counter menstrual care products are treated as paid for medical care for purposes of health savings accounts (HSAs), Archer medical savings accounts (MSAs), health reimbursement arrangements (HRAs), and health flexible savings accounts (FSAs).

**Effective date.** The amendments made for savings accounts apply to amounts paid after December 31, 2019, and the amendment made reimbursements apply to expenses incurred after December 31, 2019 (Act Sec. 3702(d) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136)).

### Law source:

- Act Sec. 3702(a) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136), amending Code Sec. 223(d)(2);
- Act Sec. 3702(b), amending Code Sec. 220(d)(2)(A);
- Act Sec. 3702(c), amending Code Sec. 106(f); and
- Act Sec. 3702(d), providing the effective dates.

## ¶215

## CORONAVIRUS-RELATED DISTRIBUTIONS FROM RETIREMENT PLAN

The 10-percent additional tax under Code Sec. 72(t) is waived for any qualified coronavirus-related distributions from a retirement plan. Eligible individuals who take such distributions can include them in gross income over a three-year span and have three years to repay the amount.

**Effective date.** No specific effective date is provided by the Act. The amendments made by this act are, therefore, considered effective on March 27, 2020, the date of enactment.

### Law source:

- Act Sec. 2202(a) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136).

## ¶220

### CORONAVIRUS-RELATED PLAN LOANS FROM RETIREMENT PLANS

The threshold limit on loans from an employer-sponsored retirement plan for a qualified individual affected by the coronavirus is increased to the lesser of \$100,000 or 100 percent of the present value (but not less than \$10,000) of the plan participant's benefits under the plan.

**Effective date.** No specific effective date is provided by the Act. The amendments made by this act are, therefore, considered effective on March 27, 2020, the date of enactment.

#### Law source:

- Act Sec. 2202(b) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136).

## ¶225

### TEMPORARY WAIVER OF REQUIRED MINIMUM DISTRIBUTIONS

For the 2020 calendar year, the required minimum distribution (RMD) requirements generally applicable to retirement plans are suspended with respect to defined contribution retirement plans, including IRAs.

**Effective date.** The amendments made by this section apply for calendar years beginning after December 31, 2019 (Act Sec. 2203(c) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136)).

#### Law source:

- Act Sec. 2203(a) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136), adding Code Sec. 401(a)(9)(I);
- Act Sec. 2203(b), amending Code Sec. 402(c)(4);
- Act Sec. 2203(c), providing the effective date.

## ¶230

### MINIMUM FUNDING RULES FOR SINGLE-EMPLOYER RETIREMENT PLANS

Minimum required contributions to a single-employer retirement plan otherwise due in 2020 (including any quarterly contributions) during calendar year 2020 are delayed. The due date for such contributions is January 1, 2021, and the amount of each such minimum required contribution is increased by interest accruing for the period between the original due date (without regard to this delay) for the contribution and the payment date, at the effective rate of interest for the plan for the plan year that includes such payment date. Also, a plan sponsor may elect to treat the plan's adjusted funding target attainment percentage for the last plan year ending before January 1, 2020, as the adjusted funding target attainment percentage for plan years that include calendar year 2020.

**Effective date.** No specific effective date is provided by the Act. The amendments made by this act are, therefore, considered effective on March 27, 2020, the date of enactment.

#### Law source:

- Act Sec. 3608 of Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136)).

## ¶235

### COOPERATIVE AND SMALL EMPLOYER CHARITY (CSEC) PENSION PLANS

The list of Cooperative and Small Employer Charity (CSEC) pension plans has been amended to add a class of plans belonging to any Code Sec. 501(c)(3) organization in existence since at least 1938 that conducts medical research directly or indirectly through grant making and whose primary exempt purpose is to provide services with respect to mothers and children.

**Effective date.** The amendment made by this section applies to plan years beginning after December 31, 2018 (Act Sec. 3609(c) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136)).

#### Law source:

- Act Sec. 3609(a) and (b) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136), adding Code Sec. 414(y)(1)(D) and ERISA Sec. 210(f)(1)(D);
- Act Sec. 3609(c), providing the effective date.

## ¶305

### NET OPERATING LOSSES (NOLS)

Net operating losses (NOLs) arising in tax years beginning in 2018, 2019, and 2020 have a five-year carryback period and an unlimited carryforward period. The provision limiting an NOL deduction attributable to NOLs arising in tax years beginning after 2017 to 80 percent of taxable income does not apply during these years.

A technical correction concerning taxpayers with a 2017/2018 fiscal year clarifies that the elimination of the former two-year carryback period applies to tax years beginning after 2017 and not to tax years ending after 2017.

**Effective dates.** The provisions relating to the three-year suspension of the 80 percent taxable income limitation apply to tax years beginning after December 31, 2017, and to tax years beginning on or before December 31, 2017, to which net operating losses arising in tax years beginning after December 31, 2017, are carried (Act Sec. 2303(d)(1) of the Coronavirus Aid, Relief, and Economic Security Act (P.L. 116-136)).

The provisions relating to the five-year carryback period apply to net operating losses arising in tax years beginning after December 31, 2017, and to tax years beginning before, on, or after December 31, 2017 to which net operating losses are carried (Act Sec. 2303(d)(2) of the CARES Act).

The technical correction to the effective date of the Tax Cuts and Jobs Act (P.L. 115-97) relating to the carryback of an NOL arising in a 2017/2018 fiscal-year is effective as if originally included in the Tax Cuts Act (Act Sec. 2303(d)(3)).

(Act Sec. 2303(d)(3) of the CARES Act).

#### Law source:

- Act Sec. 2303(a)(1) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136), amending Code Sec. 172(a)(1);
- Act Sec. 2303(a)(2), amending Code Sec. 172(b)(2)(C), Code Sec. 172(d)(6)(C), and Code Sec. 860E(a)(3)(B);
- Act Sec. 2303(b)(1), amending Code Sec. 172(b)(1);
- Act Sec. 2303(c)(1), amending Act Sec. 13302 of the Tax Cuts and Jobs Act (P.L. 115-97);
- Act Sec. 2303(c)(2), amending Code Sec. 172(b)(1)(A);
- Act Sec. 2303(d), providing the effective date.

## ¶310

### EXCESS BUSINESS LOSSES OF NONCORPORATE TAXPAYERS

The limitation on the deduction of excess business losses for noncorporate taxpayers will not apply for tax years beginning in 2018, 2019, and 2020. The deduction limitation will apply for tax years beginning after December 31, 2020.

A number of technical amendments clarify the computation of the deduction.

- Aggregate deductions in determining the loss are computed without regard to any deduction allowable under Code Sec. 172 for net operating losses (NOLs) or Code Sec. 199A for qualified business income (QBI).
- Deductions for losses from sales or exchanges of capital assets shall not be taken into account for purposes of aggregate deductions in determining the loss.
- The taxpayer's aggregate gross income or gain for the tax year from its trades or businesses, plus \$250,000, (\$500,000 for joint returns) (adjusted annually for inflation) is determined without regard to any deductions, gross income, or gains attributable to any trade or business of performing services as an employee.
- The amount of gains from sales or exchanges of capital assets taken into account in determining aggregate gross income or gain may not exceed the lesser of (1) the capital gain net income determined by taking into account only gains and losses attributable to a trade or business, or (2) the capital gain net income.
- Any amount disallowed under the excess business loss limitation is treated as a NOL for current tax year for purposes of determining any NOL carryover to subsequent tax year.

**Effective date.** The amendments made by this section relating to the postponement of the excess business loss limitation apply to tax years beginning after December 31, 2017 (Act Secs. 2304(c)(1) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136)). The technical amendments made by this section relating to the computation of limitation apply as if included in Act Sec. 11012(a) of the Tax Cuts and Jobs Act (P.L. 115-97). Therefore, the provision applies for tax years beginning after December 31, 2017 (Act Sec. 2304(c)(2) of the CARES Act).

**Law source:**

- Act Sec. 2304(a) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136), amending Code Sec. 461(l)(1);
- Act Sec. 2304(b), amending Code Sec. 461(l)(2) and (l)(3)(A), redesignating (l)(3)(B) as (l)(3)(C), and adding (l)(3)(B)
- Act Sec. 2304(c), providing the effective date.

**¶315****BUSINESS INTEREST DEDUCTION LIMITATION FOR 2019 AND 2020**

The business interest deduction limit under Code Sec. 163(j) increased to 50 percent of the taxpayer's adjusted taxable income (ATI) for the 2019 and 2020 tax years. In the case of a partnership the 50-percent limitation applies only for the 2020 tax year, but a special allocation rule may apply to excess business interest for the 2019 year. A taxpayer may also elect for the 2020 year only to use 2019 ATI in calculating the limitation.

**Effective date.** The amendments made by this section apply to tax years beginning after December 31, 2018 (Act Sec. 2306(b) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136)).

**Law source:**

- Act Sec. 2306(a) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136), redesignating Code Sec. 163(j)(10) as 163(j)(11), and adding Code Sec. 163(j)(10);
- Act Sec. 2306(b), providing the effective date.

**¶320****DEPRECIATION OF QUALIFIED IMPROVEMENT PROPERTY**

Qualified improvement property is assigned a 15-year recovery period for depreciation under MACRS retroactively effective for property placed in service after 2017. In addition, qualified improvement property placed in service after 2017 will qualify for the 100-percent bonus depreciation rate.

**Effective date.** The provision applies as if included in section 13204 of Tax Cuts and Jobs Act (P.L. 115-97). Therefore, the provision applies to property placed in service after December 31, 2017 (Act Sec. 2307(b) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136)).

**Law source:**

- Act Sec. 2307(a)(1) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136), adding Code Sec. 168(e)(3)(E)(vii) and amending Code Sec. 168(e)(6)(A);
- Act Sec. 2307(a)(2), amending Code Sec. 168(g)(3)(B);
- Act Sec. 2307(b), providing the effective date.

**¶325****CHARITABLE CONTRIBUTION DEDUCTION LIMITATION FOR BUSINESSES**

The percentage limitation on the charitable deduction contribution base for corporations is increased from 10 percent to 25 percent. In addition, the limitation on the deduction for food inventory also is increased to 25 percent.

**Effective date.** The amendments made by this section apply to tax years beginning after December 31, 2019 (Act Sec. 2205(c) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136)).

**Law source:**

- Act Sec. 2205(a)(1), (a)(2)(B), (a)(3), and (b) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136)
- Act Sec. 2205(c) providing the effective date.

## ¶330

## DISCHARGE OF SBA PAYCHECK PROTECTION PROGRAM (PPP) LOANS EXCLUDED FROM GROSS INCOME

The Paycheck Protection Program (PPP) is made available from the Small Business Administration (SBA) to provide small businesses with loans to help pay up to 8 weeks of payroll costs including benefits during the coronavirus (COVID-19) crisis. Funds can also be used to pay interest on mortgages, rent, and utilities. All payments of principal, interest, and fees under the loans are deferred for at least 6 months. The loans are also forgiven for amounts payroll costs, mortgage or rent obligations, and certain utility payments incurred between February 15 and June 30. The amount forgiven is excluded from gross income of the eligible recipient and not considered cancellation of debt income for federal income tax purposes.

**Effective date.** No specific effective date is provided by the Act. The amendments made by this act are, therefore, considered effective on March 27, 2020, the date of enactment.

### Law source:

- Act Secs. 1102 and 1106 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136).

## ¶335

## EMERGENCY RELIEF LOANS MADE OR GUARANTEED BY THE DEPARTMENT OF THE TREASURY

Any emergency relief loan to eligible businesses, states, or municipalities that is made by or guaranteed by the Department of the Treasury under Act Sec. 4003 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) is treated as debt for federal tax purposes.

**Effective date.** No specific effective date is provided by the Act. The provision is, therefore, considered effective on March 27, 2020, the date of enactment.

### Law source:

- Act Sec. 4003(h) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136).

## ¶340

## CREDIT FOR PRIOR YEAR MINIMUM TAX LIABILITY OF CORPORATIONS

Corporations can recover refundable AMT credits in tax years beginning in 2018 and 2019. A corporate taxpayer may elect to recover the entire refundable credit amount in a tax year beginning in 2018. A taxpayer making this election may file an application for a tentative refund.

**Effective date.** The provision applies to tax years beginning after December 31, 2017 (Act Sec. 2305(c) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136)).

### Law source:

- Act Sec. 2305(a) and (b) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136), amending Code Sec. 53(e);
- Act Sec. 2305(c), providing the effective date;
- Act Sec. 2305(d).

## ¶345

## DUE DATES FOR FILING AND TAX PAYMENTS OF BUSINESSES

The due date for corporations and other business entities for filing federal income tax returns and federal income tax payment otherwise due on April 15, 2020, is extended to July 15, 2020, as a result of the ongoing Coronavirus (COVID-19) emergency. The extension is automatic, and taxpayers do not need to file Form 7004 or call the IRS to receive the extension. Penalties, interest, or additions to tax for failure to file returns or pay tax will not accrue until July 16, 2020, as a result of the extension.

### Law source:

- Notice 2020-18, I.R.B. 2020-15, March 23, 2020.



**¶405****PAYROLL TAX CREDIT FOR RETAINING EMPLOYEES DURING COVID-19 CRISIS**

An employer can claim a refundable payroll tax credit for 50 percent of wages paid during the coronavirus (COVID-19) crisis if (1) business operations were suspended due to a COVID-19-related shut-down order, or (2) gross receipts declined by more than 50 percent as compared to the same quarter in the prior year. For eligible employers with 100 or fewer full-time employees, all employee wages qualify for this employee retention credit. For eligible employers with more than 100 full-time employees, only wages paid to employees when they are not providing services due to the COVID-19-related circumstances will qualify. The credit applies to the first \$10,000 of compensation (including health benefits) paid to an eligible employee from March 13, 2020, through December 31, 2020.

**Effective date.** No specific effective date is provided. The provisions are, therefore, considered effective on March 27, 2020, the date of enactment.

**Law source:**

- Act Sec. 2301 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136).

**¶410****EMPLOYER TAX CREDITS FOR PAID SICK LEAVE AND FAMILY LEAVE**

Eligible employers may receive a refundable payroll credit for required paid sick leave or family leave paid to an employee who cannot work due to coronavirus (COVID-19). The sick leave credit is for leave paid to an employee who is quarantined, has been advised to self-quarantine, has coronavirus symptoms and is seeking a medical diagnosis, or is caring for someone with coronavirus or for a child whose school or care facility is closed or whose care provider is unavailable. The family leave credit is for leave paid to an employee who is caring for a child whose school or care facility is closed, or whose care provider is unavailable. The credits have per-day and maximum dollar limits for each employee. The credits are available for wages paid for the period that begins on April 1, 2020, and ends on December 31, 2020.

**Effective date.** No specific effective date is provided. The provisions are, therefore, considered effective on March 18, 2020, the date of enactment of the Families First Coronavirus Response Act (P.L. 116-127). However, the provisions related to overpayments and advance payments of refund are effective on March 27, 2020, the date of enactment of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136).

**Law source:**

- Act Secs. 7001, 7003, and 7005 of the Families First Coronavirus Response Act (P.L. 116-127); and
- Act Sec. 3606 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136), amending Act Secs. 7001 and 7003 of the Coronavirus Response Act.

**¶415****SELF-EMPLOYMENT TAX CREDITS FOR PAID SICK LEAVE AND FAMILY LEAVE**

Eligible self-employed individuals may receive a refundable credit for a qualified sick leave or family leave equivalent amount if they cannot work due to coronavirus (COVID-19). The sick leave credit is available if the individual is quarantined, has been advised to self-quarantine, has coronavirus symptoms and is seeking a medical diagnosis, or is caring for someone with coronavirus or for a child whose school or care facility is closed or whose care provider is unavailable. The family leave credit is available if the individual is caring for a child whose school or care facility is closed or whose care provider is unavailable. The credits have per-day and maximum dollar limits. The credits are available for days occurring in the period that begins on April 1, 2020, and ends on December 31, 2020.

**Effective date.** No specific effective date is provided. The provisions are, therefore, considered effective on March 18, 2020, the date of enactment.

**Law source:**

- Act Secs. 7002 and 7004 of the Families First Coronavirus Response Act (P.L. 116-127).

**¶420****EMPLOYER PAYROLL TAX PAYMENTS DELAYED**

Employers and self-employed individuals can defer payment of the employer's share of the Social Security tax that they otherwise are responsible for paying on wages or self-employment income. The deferral applies to affected taxes normally required to be paid from March 27, 2020, through December 31, 2020. The deferred tax must be paid over the following two years, with half to be paid by December 31, 2021, and the other half to be paid by December 31, 2022.

**Effective date.** No specific effective date is provided. The provisions are, therefore, considered effective on March 27, 2020, the date of enactment.

**Law source:**

- Act Sec. 2302 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136).

**¶425****TEMPORARY SUSPENSION OF CERTAIN AVIATION EXCISE TAXES**

An "excise tax holiday period" beginning after March 27, 2020, and ending before January 1, 2021, is provided for certain aviation excise taxes under Code Secs. 4261 and 4271 on any amount paid for transportation by air, as well as under Code Sec. 4041(c) or 4081 for kerosene used in commercial aviation.

**Effective date.** No specific effective date is provided. The provisions are, therefore, considered effective on March 27, 2020, the date of enactment.

**Law source:**

- Act Sec. 4007 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136).

**¶430****TEMPORARY EXEMPTION FROM EXCISE TAX FOR ALCOHOL USED TO PRODUCE HAND SANITIZER**

Distilled spirits removed for calendar year 2020 for use in or contained in hand sanitizer produced and distributed in a manner consistent with any guidance issued by the Food and Drug Administration that is related to the outbreak of coronavirus (COVID-19) are temporarily exempt from excise taxes.

**Effective date.** The amendments made by this section apply to distilled spirits removed after December 31, 2019 (Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136)).

**Law source:**

- Act Sec. 2308(a) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136), adding Code Sec. 5214(a)(14);
- Act Sec. 2308(b), providing the effective date;
- Act Sec. 2308(c), noting application of other laws.