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A DISCUSSION ON TAXES

Taxes in the time of COVID-19 are even more complicated than normal. Filings have been extended, and new programs are in place.

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THE EXPERT



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Lory Kelley is a tax and business consulting partner with Bernard Robinson & Company. With over 20 years of experience in her field, Lory applies her knowledge and practical ideas to meet the needs of her clients from both a business and tax perspective. She has a broad range of industry expertise with concentrations in real estate, construction, and high wealth individuals. Lory also has great depth of experience in creating tax strategies for high wealth individuals, their families and their entrepreneurial enterprises. She advises clients on succession planning with an eye toward overall tax efficiencies while maintaining a sensitivity in navigating within large family groups.

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To receive guidance on the changes, Lory Kelley, CPA and Tax Partner at Bernard Robinson & Company, has provided answers to the most-asked questions. BRC is a CPA and Advisory firm with offices in Greensboro, Winston-Salem, Dunn, North Wilkesboro, Raleigh and Charlotte. Kelley can be contacted at lkelly@brccpa.com or by phone at (336) 232-4432.

What changes has the federal government made so far regarding taxes in connection with the COVID-19 outbreak?

Since the onset of the COVID-19 outbreak in our country, the federal government has enacted several new laws all aimed at providing much needed relief to a wide variety of businesses and individuals faced with the continuously evolving impacts of COVID-19. As the magnitude of these impacts continue to grow, so have the relief efforts. These laws provide a wide-variety of relief provisions, including several significant tax related provisions that both businesses and individuals should be aware of.

The Families First Coronavirus Response Act (FFCRA), enacted on March 18, 2020, most notably provided the Emergency Family and Medical Leave Expansion Act, the Emergency Paid Sick Leave Act, as well as enacted provisions for employers to claim fully refundable payroll tax credits equal to the amounts required to be paid to their employees under these provisions.

The latest legislation that was passed, the Coronavirus Aid, Relief and Economic Security Act (CARES Act), was enacted on March 27, 2020. This Act provides a wide variety of tax-related relief provisions including payroll tax credits to incentivize employee retention, the ability for certain

employers to defer a portion of their employment tax payments, economic impact payments for certain individuals, as well as several individual and business tax provisions.

In addition to the multiple legislative efforts, the Internal Revenue Service and U.S. Department of Treasury have released significant guidance providing many taxpayers with additional time to file their returns and make related tax payments that would otherwise have been due during this period.

What do businesses and individuals need to know about those changes?
As businesses and individuals navigate

these uncertain times, they need to make sure they are aware of all the relief provisions that are potentially available to them.

The most notable provisions available to businesses include:

► The requirements under the FFCRA for eligible employers to provide additional Sick Leave and Family and Medical Leave to their eligible employees. If an employer meets the eligibility requirements under these provisions, they are required to pay up to 80 hours of additional sick leave as well as up to 10 weeks of paid leave under FMLA. There are a number of limits on the

employee's eligibility to claim these leave benefits as well as limits on the amounts an employee is required to be paid. While many employers will be subject to these requirements, the law provides employers with a fully refundable payroll tax credit equal to the amounts they are required to pay their employees under these provisions.

- ▶ The CARES Act provides an additional refundable payroll tax credit to employers who retain their employees during the periods in which they are facing government shutdowns and/or a significant reduction in their business's gross receipts. There are again several criteria that must be met and limitations on the amount of the credit available, but for those employers that are eligible and meet the criteria, this can provide a significant benefit.
- ▶ The CARES Act also allows employers to defer their share of social security taxes (6.2 percent) that they would otherwise be required to deposit during the period beginning on March 27, 2020, through December 31, 2020.

There are also several other tax related provisions in the CARES Act, including:

- ▶ the ability to carryback Net Operating Losses incurred during 2018, 2019 and 2020 to the preceding 5 tax years;
- ▶ increased limits for deducting certain charitable contributions;
- ▶ increased limit on the amount of business interest expense deductible by businesses during 2018, 2019 and 2020, and
- ▶ a retroactive fix that allows taxpayers to take bonus depreciation on "qualified improvement property" starting with 2018 tax years.
- ▶ The CARES Act also included several notable tax provisions available to individuals:
- ▶ the ability for individuals to take up to \$100,000 (in aggregate) of "coronavirus-related distributions" from their retirement accounts without being subject to the 10 percent early withdrawal penalty; the ability to report the taxable income related to "coronavirus-related distributions" ratably over tax years 2020, 2021 and 2022; the ability to repay "coronavirus-related distributions" for a period of up to 3 years beyond the date the distribution is made;
- ▶ increased limits on amounts that can be borrowed from a qualified employer plan as well as deferrals of eligible loan payments for one year;
- ▶ waiver of requirements for taxpayers to take required minimum distributions otherwise required to be withdrawn in 2020;
- ▶ increased limits for deducting certain charitable contributions; and
- ▶ the delay of "excess business loss" limitations until the 2021 tax year.

In addition, many eligible individuals will be receiving 'Economic Impact Payments' from the IRS over the coming weeks. The amount of these payments is based on the taxpayers filing status, number of dependents as well as their adjusted taxable income.

What is the process for requesting an extension for my taxes? Are there any potential drawbacks of doing so?

Businesses and individuals should be aware of the relief that has been provided by the IRS to many taxpayers who have filing and payment requirements that would otherwise be due between April 1, 2020 and July 15, 2020, automatically giving these taxpayers additional time to file and pay until July 15, 2020. If a taxpayer needs additional time to file beyond July 15, 2020, they will need to file the appropriate extensions and pay any taxes due by July 15, 2020. This will provide taxpayers an extension of time to file up to their traditional extended due date.

Taxpayers need to be mindful of how the individual states and municipalities are granting filing and payment relief to those with a filing requirement. Many jurisdictions are providing their own guidance and are not conforming to the IRS relief.

Additional guidance related to the IRS and state deadlines is being published regularly. These changes from the traditional filing and payment deadlines create a unique challenge for both tax professionals and taxpayers to keep up to date on the latest guidance and make sure deadlines for both filings and payments are timely met.

What are some best practices for the review and filing process now that most practitioners and taxpayers are working remotely?

As our tax practitioners have moved to a more remote work environment, we have identified two key components to keeping the review and filing process relatively seamless for our tax professionals as well as for our clients.

The first thing that is critical is communication. With the constant changes in the filing deadlines, new laws being enacted regularly to help mitigate the impacts of COVID-19, not to mention the ever-evolving restrictions that are being placed on our mobility, staying in contact with our clients and regular communication between clients and their tax professional is more critical than ever before. This allows for real-time sharing of the most up to date information to make sure the needs of our clients are being timely met. This communication can come in many forms including utilizing social media and website blogs to provide relevant, timely technical updates, personal phone calls to discuss various action items to keep the process moving, communication of updates through emails as well as utilizing technology to facilitate virtual face-to-face meetings. In addition to staying connected with our clients, the need to maintain effective communication internally is equally as important.

The second component that has been critical to facilitating this communication and keeping the process seamless is making sure we are utilizing all available technology. While many individuals were already fully onboard and able to utilize all the technological tools that were available to them before this shift to a remote work environment, many have now been thrust into a world where it is critical to utilize what is available to keep the process moving smoothly. The use of video conferencing tools, along with the ability to share screens can provide the same benefits of a face-to-face meeting. In addition, the use of portals for the secure exchange of electronic information, online programs such as SafeSend for the secure delivery of tax returns, having electronic signature capabilities as well as already having a paperless workflow process have allowed us to handle to process from start to finish from a remote setting without the reliance on the traditional office environment.

In addition to taxes, what are some ways companies can work with their accounting and professional service firms to weather this crisis and prepare for potential business disruption?

BRC continues to serve our clients, our team members, and our communities during this unprecedented time. We walk side-by-side with our clients as we provide consulting services related

to their cash needs to support their ongoing operations through the Small Business Administration's Paycheck Protection Program or the Economic Injury Disaster Loan relief programs. Our close communication is critical to assist our clients with preparedness, response, and implementation so that we can execute a unique plan of action crafted solely for them.

In addition, BRC can perform analyses to identify cash flow opportunities, to restructure existing debt, and to enhance companies' workflow processes including supply-chain management concerns.

Our cyber-security and risk advisory team can perform IT security reviews and risk assessments, recommend improvements, and provide ongoing monitoring of companies' information technology systems. As the business environment has changed and will continue to change, our vCISO (Virtual Chief Information Security Officer) services help entities create and maintain secure environments by giving companies access to the expertise and experience to a cybersecurity professional without the cost of having a CISO fulltime. The services are flexible to meet your needs and budget. In addition, BRC can help with compliance issues by performing HIPAA assessments and SOC 1/SOC 2 reports.



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