

Dear Clients,

We are all living in unprecedented times. During this time, Denman & Company LLP wants you to know we are keeping you, our client, at the forefront. We understand you and your business may be impacted in various different aspects so we wanted to share the following for the latest information available regarding individual and business taxes, extensions, payments, filing dates, grants and credits. Please contact your Denman connection or call us at 515-225-8400 and we will direct you to someone who can help answer your questions.

Federal – The federal income tax filing due date is automatically extended from April 15, 2020, to July 15, 2020.

Taxpayers can also defer federal income tax payments due on April 15, 2020, to July 15, 2020, without penalties and interest, regardless of the amount owed. This deferment applies to all taxpayers, including individuals, trusts and estates, corporations and other non-corporate tax filers as well as those who pay self-employment tax.

Taxpayers do not need to file any additional forms or call the IRS to qualify for this automatic federal tax filing and payment relief. Individual taxpayers who need additional time to file beyond the July 15 deadline, can request a filing extension by filing Form 4868 through their tax professional, tax software or using the Free File link on IRS.gov. Businesses who need additional time must file Form 7004.

The 2020 first quarter federal estimated tax payment normally due on April 15th has been extended to July 15th. The second quarter federal estimated tax payment is still due on June 15th.

Iowa - The Director of the Iowa Department of Revenue executed an order extending the filing and payment deadline for several state tax types. The order applies to Iowa tax returns and any associated tax due on those returns if the due date is on or after March 19, 2020 and before July 31, 2020. The due date for these tax returns and taxes is now July 31, 2020.

The order provides relief for the following tax types:

- IA 1040 Individual Income Tax Return and all supporting forms and schedules
- IA 1040C Composite Return and all supporting forms and schedules
- IA 1041 Fiduciary Return and all supporting forms and schedules
- IA 1120 Corporation Income Tax Return and all supporting forms and schedules
- IA 1120F Franchise Tax Return for Financial Institutions and all supporting forms and schedules
- IA 1065 Iowa Partnership Return and all supporting forms and schedules
- IA 1120S S Corporation Return and all supporting forms and schedules
- Credit Union Moneys and Credits Tax Confidential Report

No late-filing or underpayment penalties shall be due for qualifying taxpayers who comply with the extended filing and payment deadlines in this order. Interest on unpaid taxes covered by this order shall be due beginning on August 1, 2020.

All 2020 Iowa estimated tax payments are still due at their normal due date even if your income tax return has not been filed.

Withholding – Iowa Department of Revenue has extended payments for Iowa withholding due on March 25th with the new due date is April 10th. This is automatic and there is no need to call the department for an extension.

Sales Tax – There is no extension for Iowa sales tax payments at this time.

Unemployment – Governor Reynolds extended the due date for the first quarter unemployment payments due April 30th to July 31st. Eligible employers must be in good standing and have no delinquencies. This extension requires an email to Iowa Workforce at Q1tax@iwd.iowa.gov. The phone lines have been busy so email will be the quickest response.

Grants – Please access these resources through the Iowa Economic Development website at <https://www.iowaeconomicdevelopment.com/our-agency-detail-resources>

Small Business Relief Fund - Eligibility

- Must be experiencing business disruption due to COVID-19 pandemic; and
- Must have employed between 2-25 people prior to March 17, 2020; and
- Must have a physical location in Iowa

Iowa Economic Development is offering small businesses a grant of \$5,000 up to \$25,000 and applications **must be submitted by March 31st at noon**. This is not first-come; first-served. Each application will be reviewed.

Here are the documents needed to complete the application:

1. 3-month income statement
2. Revenues March 2019
3. Revenues March 2020 - to date
4. Balance Sheet (as of application date)
5. Payroll prior to March 17, 2020 (do not send employee SSN information)
6. Completed Business W-9 Form
7. Date of business establishment
8. Description of Economic Impact Loss (loss of sales or revenue)
9. Number of employees on March 1, 2020

10. Number of employees working remotely as a result of the disaster
11. Estimated loss of revenues March 15, 2020 - April 15, 2020
12. Description of how funds will be utilized to maintain operations or reopen after the disaster.

We are not able to access the application due to high volume on the website.

Targeted Small Business Sole Operator Fund – A fund has been created to support Targeted Small Businesses (TSB) with zero employees that have been impacted by the COVID-19 pandemic. This fund is first-come; first-served.

The TSB program is designed to help women, individuals with minority status, service-connected disabled veterans and individuals with disabilities overcome some of the hurdles to start or grow a small business in Iowa.

Eligibility

To be eligible for a **TSB Sole Operator Fund grant**, eligible businesses must:

- Be experiencing business disruption due to the COVID-19 pandemic; and
- Be a Targeted Small Business or have an application in process by April 10, 2020 to become certified as a Targeted Small business in accordance with Chapter 52 of Iowa Code.; and
- Be a sole proprietor or single-member LLC with 0 (zero) employees; and
- Verify that Targeted Small Business income is the sole source of income for the business owner

To be eligible for **TSB Certification**, businesses must be:

- Located in the state of Iowa; and
- Operating for a profit; and
- Make less than \$4 million in gross income, computed as an average of the preceding three fiscal years; and
- Majority owned (51% or more), operated and managed by a female, individual with minority status, service disabled veteran or individual with a disability

The funds may not be used to pay debts incurred prior to March 17, 2020.

SBA loans – Polk County has been declared a disaster area and eligible for disaster loans due to COVID -19.

Facebook – Small business grants for those impacted by COVID-19. Here is the link - www.facebook.com/business/boost/grants.

Credits:

President Trump recently signed the Emergency Family and Medical Leave Expansion Act requiring paid sick and family leave for qualified employees impacted by the Coronavirus Pandemic. The law generally applies to employers with fewer than 500 employees and adds two classes of qualified paid leave. It does not appear that employers with more than 500 employees fall under the scope of the new provisions. The Secretary of the Department of Labor is authorized to issue regulations to exempt employers with less than 50 employees when the imposition of the rules would jeopardize the entity's ability to continue as a going concern. It is uncertain how this provision would be applied.

Qualifying leave consists of the following:

1. The employee is subject to a Federal, State, or local quarantine or isolation order related to COVID-19.
2. The employee has been advised by a health care provider to self-quarantine due to concerns related to COVID-19.
3. The employee is experiencing symptoms of COVID-19 and seeking a medical diagnosis.
4. The employee is caring for an individual who is subject to an order or has been advised to self-quarantine.
5. The employee is caring for a son or daughter of such employee if the school or place of care of the son or daughter has been closed, or the child-care provider of such son or daughter is unavailable, due to COVID-19 precautions.
6. The employee is experiencing any other substantially similar condition specified by the Secretary of Health and Human Services in consultation with the Secretary of the Treasury and the Secretary of Labor.

To offset the cost of providing this additional leave, employers are allowed a refundable tax credit to offset their OASDI (the employer portion of social security tax) portion of payroll taxes. The credit would be claimed quarterly when employers file payroll tax returns. The credit is effective for wages paid between a date to be determined (within 15 days of enactment) and December 31, 2020. Employers can claim a credit equal to 100% of qualified sick leave and qualified family leave wages paid for the quarter with certain limitations. Note that a credit is a direct dollar for dollar reduction in the amount of OASDI tax the employer is required to remit to the government.

Qualified Sick Leave

Qualified sick leave generally applies to employees staying home due to quarantining or to care for a sick family member and allows up to 10 days of paid leave.

The credit is generally limited to \$200 per employee per day (up to 10 days) for qualified sick leave wages up to an aggregate of \$2,000 per employee. That amount is increased to \$511 per day if the employee is on leave due to any of the following:

- Is subject to a federal, state, or local quarantine or isolation order relating to COVID-19
- Has been advised by a health care provider to self-quarantine due to concerns relating to COVID-19
- Is experiencing symptoms of COVID-19 and is seeking a medical diagnosis

Qualified Family Leave

Qualified family leave is for employees needing to care for a child due to school or childcare closings.

The credit for qualified family leave wages for employees is \$200 per day up to an aggregate of \$10,000 per employee. This credit is designed to cover up to two-thirds of employee's wages for up to three months.

Self Employed Taxpayers

Self-employed taxpayers are allowed a similar credit against their regular income tax on their personal tax returns. The limit for self-employed persons is formula driven to 67% of the taxpayer's average daily self-employment income, up to either \$200 or \$511 depending upon the classification of the leave. Self-employed individuals should consult with their tax advisor and determine eligibility for the credit and whether an adjustment to quarterly estimated income tax payments is prudent.