

ATA Members and the CARES Act

From: ATA President Ted Wozniak

To: All ATA Members

Date: March 31, 2020

Last week, Congress passed, and President Trump signed into law, the **Coronavirus Aid, Relief, and Economic Security (CARES) Act**, which is intended to mitigate the impact of the nationwide economic shutdown.

The provisions that are pertinent to ATA members are summarized below for your information. As with all such legislation, some of the implementation details must still be worked out by the relevant agencies.

The CARES Act is 880 pages long and contains many more provisions than can be covered here. The focus below is on the provisions that are most likely to affect ATA members, both individual and corporate.

This overview is for information only and does not constitute business, financial, or legal advice. You should consult with an accountant, financial advisor, or the appropriate federal or state authority on your eligibility for any of these relief measures before making concrete decisions.

But don't delay too long. It is not inconceivable that demand for some of these funds, such as SBA loans, may be rapid and strong.

Major provisions of interest to ATA members

- The tax credits should apply to most of our individual members; top earners, or those with significant other income, not so much.
- The social security tax deferrals will help all members a bit.
- The unemployment provisions will help anyone who has been diagnosed with COVID-19 or who has had to care for a stricken family member.
- The student loan deferrals will help members with such loans.
- The loans will help company owners, including single-person companies who pay themselves a salary, and independent contractors.
- There is also the option for an employer, including an owner/employee, to pay up to \$5,250 in 2020 on an employee's student loan, with the

payment being tax-free to the employee and the total payment going to principal.

Unemployment insurance: Beneficiaries will receive an additional \$600 per week for up to four months. *Benefits are extended to self-employed workers and independent contractors.*

- Check with your state unemployment benefits agency for details on how to apply. Does not apply to individuals who have the ability to telework with pay or individuals receiving paid sick leave or other paid leave benefits.

Recovery rebate: Provides a \$1,200 refundable tax credit for individuals (\$2,400 for joint filers), plus \$500 per child. The rebate is not taxable income as it is a credit against tax liability and is refundable for taxpayers with no tax liability.

- Income phases out starting at \$75,000 for single filers, \$112,500 for heads of household, and \$150,000 for joint filers.
- The amount of the rebate will be recalculated based on 2020 income when 2020 tax returns are filed. Current payments will be based on 2019 tax returns (or 2018 returns if 2019 returns have not yet been filed).
- If the calculation in 2020 results in an underpayment, the taxpayer can claim the difference on their 2020 tax return. Overpayments will (probably) be forgiven (taxpayers will not be required to pay it back).

Charitable deductions: Creates a \$300 “above the line” deduction for cash contributions to certain charities for taxpayers using the standard deduction. For itemizers, contributions may be temporarily deducted up to 100% of adjusted gross income, with any excess carried over to the next five years.

IRA withdrawals: Waves the 10% early withdrawal penalty on certain retirement account distributions for taxpayers facing virus-related challenges.

- The waiver only applies if the taxpayer meets specified virus-related conditions. The withdrawals are still subject to regular income taxes but may be spread out over a three-year period. Amounts withdrawn may be repaid without regard to the annual cap on contributions.

Student loans: Payments and interest on all federal loans held by the Department of Education are suspended until September 30, 2020. Allows an employer to pay up to

\$5,250 in 2020 on an employee's student loan debt, with the payments being tax-free to the employee.

- Does not apply to FFEL and Perkins federal loans or loans that are not held by the Department of Education.
- Payments made during this period should be counted in full as principal repayments, resulting in a faster reduction of the principal balance and lower interest costs.

Delayed payment of employer payroll tax and self-employment tax

- Employer share of the 6.2% Social Security tax due through December 31, 2020 can be paid on December 31, 2021 (50%) and December 31, 2022 (50%).
- Self-employed taxpayers can defer paying 50% of the self-employment tax due through the end of 2020 until the end of 2021 (25%) and 2022 (25%).
- Not available to businesses receiving forgiveness of a payroll protection loan.

Changes to net operating loss rules: Temporarily reverses the changes made by the TCJA on loss carrybacks and carryforwards.

- Losses from 2018, 2019, and 2020 may be carried back for up to five years. Taxpayer may forgo the carryback and carry the loss forward instead.
- Losses carried forward to 2019 and 2020 will be permitted to offset 100% of taxable income, instead of 80% as under TCJA.

Small business loans (**paycheck protection loans**) for certain small businesses, including self-employed individuals during the period from February 15 to June 30, 2020.

- May be eligible to obtain loans in order to cover payroll, group health benefits, employee salaries and other compensation, interest on mortgages, rent, utilities, and interest on other debt obligations previously incurred.
- "Payroll" includes wages, commissions, salary, or similar compensation to an employee or independent contractor.
- A separate section allows a portion of these loans to be forgiven tax free.

Emergency Economic Injury Disaster Loans (EIDL) and grants of up to \$10,000 for small businesses, nonprofits, independent contractors, and self-employed individuals.

- Similar to the small business loans above. The interest rate on these loans is 3.75%. They are repayable over a period of up to 30 years. Loan applicants may apply for an *advance* of up to \$10,000, which need not be repaid if the loan is not granted.

Employee retention credit: Creates a one-year credit against the employer's 6.2% share of Social Security payroll taxes for businesses that are forced to suspend or close operations due to the pandemic but continue to pay their employees during the shutdown.

Businesses are eligible if:

1. Operations were fully or partially suspended during any calendar quarter in 2020 due to orders from a government authority as a result of the pandemic, or
2. Business remained open but gross receipts during any quarter in 2020 were less than 50% of what they were in the same quarter in 2019.

Read the full text

The Coronavirus Aid, Relief, and Economic Security Act, or the 'CARES Act,' provides emergency assistance and health care response for individuals, families, and businesses affected by the 2020 coronavirus pandemic. [Click to read the full text.](#)

We are a community—share and connect

COVID-19 has disrupted the translation and interpreting marketplace in ways we could not have imagined three weeks ago. This is going to be a real challenge.

As an ATA member, you don't have to go it alone. Please do not hesitate to let your association know how it can support you in your professional life.

Questions? Need more information?

ATA staff are available 9 to 5 EDT! Call us at +1-703-683-6100, extension 3001, or email ata@atanet.org. Need to get in touch with someone about membership? Send an email to Trish Boward at membership@atanet.org.