

CORONAVIRUS: TAX IMPACT ON REAL ESTATE



Real Estate
INVESTMENTS



HARD MONEY
LOANS



TRUST DEED
INVESTMENTS



INVESTOR
EDUCATION

UPDATING THE NUMBERS





Unemployment: Initial Claims



Filing Status	March 21	March 27
National	2.90 million	5.82 million
California	186k	878K
Florida	74k	227k
Texas	155k	275k



UPDATES AND THINGS TO WATCH



Counties and Cities



- **Expanding eviction guidelines**
 - » Extending timeframes
 - » Updates includes commercial real estate

- **Banning short-term rentals**
 - » Fines (\$1,000 per day per violation)
 - » Jail time





Transaction Issues



- **Title won't insure**
 - » Hard money transactions
 - » Recording issue
 - » Relationship issue

- **Notary Issue**

- **Fraud and working remotely**



TAX CHANGES AND UPDATES



Economic Impact Payment



Filing Status	Stimulus Check Amount	Adjusted Gross Income Phaseout Range
Single	\$1,200	\$75,000-\$99,000
Married	\$2,400	\$150,000-\$198,000
Head of household w/1 child	\$1,750	\$112,500-\$147,500

- Based on most recent filed tax return (2018/2019)
- \$500 per child under age 17 and lives at home (includes siblings, stepsiblings, nephew etc.)
- 5% haircut over threshold
- If your address changed since your most recently filed tax return, consider filing the Change of Address Form 8822 with the IRS as soon as possible
- You can now check your payment status with the IRS [here](#).

Deadline Extensions



- Tax Extensions
 - » Most tax returns and payments are automatically extended until July 15, 2020. No interest and penalties for amounts due within this period.
 - » 2020 First and Quarter Estimated Taxes extended until July 15th 2020
- Fee and other extensions
 - » California entity fees such as the \$800 minimum fee to the FTB are extended until 7/15/20
 - » States all have their own rules
 - » IRA, Roth IRA, and HSA contributions are extended until 7/15/20.
- Opportunity Zone and 1031 Exchanges: Transactions with a deadline that falls within 4/1/20-7/15/20 are extended until 7/15/20

Retirement Accounts



- **Covid-19 related retirement account distributions (IRAs and 401K) can be taken between now and 12/31/20 of up to \$100k. The distributions are:**
 - » Free from early distribution penalties
 - » Still taxable but the taxes can be delayed over three years, or
 - » Can be repaid within three years to avoid the tax

- **These benefits are only available for Covid-19 related distributions**
 - » This means you, spouse, or dependent is diagnosed with the virus or had adverse financial impacts from this due to quarantine, lay off, work hours reduced due or unable to work due to childcare (self-certification)

Retirement Accounts (*cont'd*)



- **Coronavirus related 401K loans can be taken up to 100% of the account balance and up to \$100k**
- **No 401(k) loan repayments required through 3/27/20 through 12/31/20 for all 401K loans**
- **No Required Minimum Distributions (RMDs) required for 2020**
 - » Includes inherited IRAs
 - » RMDs already taken after 1/1/20 can be undone to avoid the tax



Other Tax Changes



- Five-Year Net Operating Loss (NOL)
 - » Carryback now allowed for 2018-2020 years
 - » 80% NOL limitation also removed through 2020

- Retroactive to 2018, Qualified improvement property is now 15-year property and eligible for bonus depreciation
 - » QIP is improvements made to an interior portion of a nonresidential building that is not brand-new construction and made by the taxpayer. It excludes:
 - Building enlargement
 - Elevators or escalators, or
 - The internal structural framework of a building.
 - You can either file amended 2018 or Form 3115 in 2019 to catch-up.

Other Tax Changes (*cont'd*)



- The 461(l) business loss limitation of \$250k/\$500k that came out as part of TCJA tax reform is now eliminated for 2018-2020
- 163(j) interest deduction limitation to 30% of taxable income is increased to 50% of taxable income for 2019 and 2020
 - » We can also choose to use 2019 taxable income for 2020 interest limitation calculation is more favorable
- No new audits, collections, installment payments for now

Other Tax Changes *(cont'd)*



- April property taxes are not postponed but if county offices are closed then it may be delayed but check with each county to make sure.



SMALL BUSINESS ADMINISTRATION (SBA)



Overview of CARES Act Programs



- **Two programs**
 - » Economic Injury Disaster Loans and Loan Advance (EILD)
 - » Paycheck Protections Program (PPP)

- **You can apply for both loans and there are no costs associated with these applications, and decide later whether you want to take on one or both of these loans**

- **Generally speaking**
 - » PPP: Active businesses with payroll or self-employment income
 - » EILD: Rental investors
 - » It is possible to have a loan for each trade or business

ECONOMIC INJURY DISASTER LOANS AND LOAN ADVANCE (EIDL)



ECONOMIC INJURY DISASTER LOAN



- **Who is eligible?**

- » Sole proprietors, self-employed individuals, and businesses with <500 employees
- » Those needing money to help overcome temporary loss of revenue
- » There are some ineligible industries (i.e. illegal activities, gambling, adult movies, etc.)

- **How Much is Available Loan Amount?**

- » Up to \$2M for working capital
- » \$10k of the loan can be considered a grant. **This is capped at \$1,000 per employee.**



ECONOMIC INJURY DISASTER LOAN (cont'd)



- **What is it used for?**

- » Loan proceeds and the \$10K advancement proceeds are to be used for payroll, payments to independent contractors, rent, interest, holding costs, general business expenses.
- » Can be used for expenses from 1/31/20 to 12/31/20

- **Repayment information?**

- » No personal guarantee or collateral if loan is <\$200k
- » 3.75% interest 30-year term
- » Only \$10k of the advancement is forgivable, the rest is not

ECONOMIC INJURY DISASTER LOAN (cont'd)



- **How to apply?**

- » You apply directly from the SBA website
- » Application only takes a few minutes online with some basic info regarding the business and 2019 income and expense items.
- » SBA will likely require additional information later on
- » Apply soon since there are caps to the available funding for this program



PAYCHECK PROTECTION PROGRAM (PPP)



Paycheck Protection Program



■ Who is eligible?

- » Sole proprietors, self-employed individuals, **Partnerships/LLCs with income subject to self-employment taxes**, and businesses with <500 employees
- » Need to retain employee headcount and wage

■ How much is available in loan amount?

- » Loan amount is 2.5 x average monthly payroll of trailing 12 months (employee salary calc is capped at \$100k per employee)
- » Payroll includes benefits and employer retirement contributions
 - Payroll does not include any qualified sick leave or family leave for which you take a credit under the Families First Coronavirus Relief Act (FFCRA)
- » Max loan amount is \$10M

Paycheck Protection Program (cont'd)



- **What is it used for?**

- » Loan proceeds can be used to pay payroll, employee benefits, rent, utilities, mortgage interest, and interest on other debt obligations that were incurred prior to February 15, 2020



Paycheck Protection Program (cont'd)



■ Repayment information?

- » Loan forgiveness will equal amount spent during an 8-week period for payroll, rent, mortgage interest, or utilities between 2/15/20-6/30/20 (at least 75% of the loan must be used for payroll)
- » Forgiven loan is tax-free
- » Loan forgiveness is reduced if number of employees are reduced or if there is a >25% reduction in wages paid to employees through 6/30/20
- » Loan payments will be deferred for six months
- » Loan is non-recourse, no collateral, no personal guarantee
- » 1% interest 2-year term

Paycheck Protection Program (cont'd)



- **How to apply?**

- » Apply with your local bank that has SBA loans
- » Applications available starting on 4/3 for businesses and 4/10 for self employed
- » Apply soon since there are caps to the available funding for this program
- » Borrower must certify that the loan is needed



FAMILY FIRST CORONAVIRUS RESPONSE ACT (FFCRA)



Family First Coronavirus Response Act (FFCRA)



- **New rules require certain employers to provide employees with paid emergency leave and expanded family medical leave**
- **In exchange: The government will reimburse the employer for the cost of this compensation paid to the employees. This results in no net cost to the employer**
- **Who is eligible?**
 - » Self-employed individuals, owners of S Corporations, C Corporations, and partnerships
 - » Apply to businesses with less than 500 employees
 - » Employers with under 50 employees may apply for exemption if detrimental to business

Family First Coronavirus Response Act (FFCRA) (cont'd)



■ Part 1: Emergency Paid Sick Leave (expires 12/31/20)

- » Eligibility: All full time and part time employees, owners currently on payroll, and self-employed individuals with active income. No waiting period for new hires.

- » Benefits: Up to 80 hours of pay subject to caps
 - If leave is due to quarantine orders or Covid-19 symptoms/high risk individuals: 100% of employee's regular pay up to max of \$511 per day/**\$5,110** total per employee, OR

 - If leave is due to needing to care for someone else under quarantine orders/high risk individuals, to care for kids under 18 y/o from school closure: 2/3 of regular pay up to max of \$200 per day/**\$2,000** max per employee



Family First Coronavirus Response Act (FFCRA) (cont'd)



■ **Part 1: Emergency Paid Sick Leave (expires 12/31/20)**

» How to apply for the tax credit:

- If you have payroll, then contact your payroll processor. The refundable credit should show up on next quarter's payroll tax return
- If you do not have payroll, then there should be no action needed right now as it should be claimed when your 2020 income tax returns are filed



Family First Coronavirus Response Act (FFCRA) (cont'd)



■ Part 2: Expanded FMLA (expires 12/31/20)

- » Eligibility: All full-time and part-time employees who have worked at least 30 days prior and cannot work due to school closure and as result of state quarantine orders

- » Benefits: Up to 80 hours of pay subject to caps
 - First 10 days unpaid
 - Then up to 10 weeks paid: the pay needs to be at least 2/3 of regular pay capped at \$200 per day and a max of **\$10k total per employee** for those 10 weeks

- » How to apply for tax credit:
 - If you have payroll, then contact your payroll processor. The refundable credit should show up on next quarter's payroll tax return

 - If you do not have payroll, then there should be no action needed right now as it should be claimed when your 2020 income tax returns are filed

Employee Retention Credit



- **Eligibility: This payroll tax credit is available for businesses who keep employees on payroll and...**
 - » Are fully or partially suspended due to quarantine orders or Covid-19 limitations, OR
 - » Businesses whose gross receipts for that quarter are <50% of the receipts for the same quarter in the previous year
 - » This is not available if employer is already using the PPP program

- **Benefits:**
 - » Payroll tax credit of up to 50% of qualified wages (\$5k max credit per employee ~~per~~ **quarter**) for wages paid 3/12/20 through 1/1/21
 - » Credit can't exceed the normal amount the employee would have been paid for working an equivalent period during the previous 30 days
 - » Benefit is reduced by any credits received under FFCRA

Employee Retention Credit



- **How to apply for tax credit:**

- » If you have payroll, then contact your payroll processor. The refundable credit should show up on next quarter's payroll tax return
- » If you do not have payroll, then there should be no action needed right now as it should be claimed when your 2020 income tax returns are filed.
- » Not available for self-employed



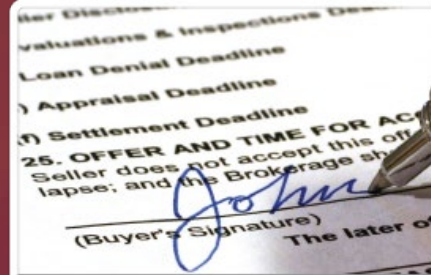
Q&A



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