



COVID-19 Tax Relief Summary

Nerre Shuriah, JD, LLM, CEPA™ | SVP, Wealth Planning Director



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On March 18, 2020, the President signed into law new legislation (H.R. 6201, *Families First Coronavirus Response Act*) with the intent of providing tax relief to mitigate the effects of the COVID-19 pandemic. The bill was written with the bipartisan cooperation of House Majority Leader, Nancy Pelosi, House Minority Leader, Kevin McCarthy, and Treasury Secretary, Steve Mnuchin. It was passed by the Senate without changes and immediately signed by the President. This is considered a first phase and a second larger relief package is currently being created for further financial relief for individuals and bailouts for industries particularly affected by social distancing. The new law contains provisions providing relief for the following issues exacerbated by the pandemic:

I. **Nutrition Assistance Programs.** Funds are specifically designated for nutrition programs.

- \$500 million to provide access to nutritious foods to low-income pregnant women or mothers with young children who lose their jobs or are laid off due to the COVID-19 emergency through Special Supplemental Nutrition Program for Women Infants and Children (WIC). You may be certified for WIC without being present at the WIC clinic.
- \$400 million to assist local food banks to meet increased demand for low-income Americans during the emergency. Of the total, \$300 million is for the purchase of nutritious foods and \$100 million is to support the storage and distribution of the foods through Emergency Food Assistance Program (TEFAP).
- Department of Agriculture to approve state plans to provide emergency Electronic Benefit Transfer (EBT) to provide food assistance to households with children who would otherwise receive free or reduced-price meals if not for their schools being closed due to the COVID-19 emergency. Schools must be closed for at least 5 consecutive days.
- Nutrition Assistance for U.S. Territories – \$100 million for USDA to provide nutrition assistance grants to Puerto Rico, American Samoa, and the Commonwealth of the Northern Mariana Islands in response to the COVID-19 public health emergency.
- Funding for the Senior Nutrition Program in the Administration for Community Living (ACL). Provides approximately 25 million additional home-delivered and pre-packaged meals to low-income seniors, including those with chronic illnesses and disabilities, who depend on the Senior Nutrition programs in their communities.
- Under the Maintaining Essential Access to Lunch for Students Act or the MEALS Act, the Secretary of Agriculture is given the authority to issue waivers for state plans that increase costs to the federal government to eliminate paper work. The bill also allows all child and adult care centers to operate as non-congregate (*i.e.* allows them to take food to go).
- In an effort to provide flexibility for low-income jobless workers, the bill suspends the work and work training requirements for Supplemental Nutrition Assistance Program (SNAP) during the crisis. States may also request waivers enabling them to provide temporary SNAP assistance.



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II. COVID-19 Diagnostic Testing Costs and Other Medical Costs.

- Includes \$82 million for the Department of Defense to cover the costs of COVID-19 diagnostic testing for beneficiaries receiving care through the Defense Health Program.
- The bill requires private health plans to provide coverage for COVID-19 diagnostic testing, including the cost of a provider, urgent care center and emergency room visits in order to receive testing. Coverage must be provided at no cost to the consumer.
- Medicare Part B, Medicare Advantage, TRICARE, Medicaid, and CHIP must cover expenses for provider visits during which a COVID-19 test is administered or ordered.
- Funds will cover the costs of COVID-19 diagnostic testing for the Department of Veterans Affairs for veterans receiving care through Medical Services or through Medical Community Care.
- There is a provision that provides a temporary increase to states' federal medical assistance percentage for the duration of the public health emergency. There is also an increase to the territories' Medicaid allotments for 2020 and 2021.
- Ensures Medicare beneficiaries are able to access telehealth services.

III. Employee Sick Leave and Job-protection Provisions.

- Payroll tax credits for paid sick and paid family and medical leave. Includes \$15 million for the Internal Revenue Service to implement tax credits for paid sick and paid family and medical leave. This section requires employers with fewer than 500 employees and government employers to provide employees two weeks of paid sick leave, paid at the employee's regular rate, to quarantine or seek a diagnosis or preventive care for COVID-19; or paid at two-thirds the employee's regular rate to care for a family member for such purposes or to care for a child whose school has closed, or child care provider is unavailable, due to COVID-19.
 - Full-time employees are entitled to 2 weeks (80 hours), and
 - Part-time employees are entitled to the typical number of hours that they work in a typical two-week period.

The bill provides for a refundable tax credit equal to 100% of qualified paid sick or family leave wages paid by an employer for each calendar quarter. The tax credit is allowed against the employer portion of Social Security taxes.



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- Government employees and employees of employers with fewer than 500 employees who have been on the job for at least 30 days will have the right to take job-protected leave. Such employees will have the right take up to 12 weeks of job-protected leave under the Family and Medical Leave Act to be used for any of the following reasons:
 - To adhere to a requirement or recommendation to quarantine due to exposure to or symptoms of COVID-19 (capped at \$511 per day);
 - To care for an at-risk family member who is adhering to a requirement or recommendation to quarantine due to exposure to or symptoms of COVID-19 (capped at \$200 per day); and
 - To care for a child of an employee if the child's school or place of care has been closed, or the child-care provider is unavailable, due to COVID-19 (capped at \$200 per day).

Additional limits apply. The 500 employee threshold has received criticism for leaving out a significant amount of employees. Currently one-quarter or \$33.6 million employees have no paid sick leave.¹ Workers at companies with 501 employees or more comprise half of all workers and would not be covered under this bill.

- Emergency transfers for Unemployment Compensation administration. The bill provides \$1 billion for emergency grants to states for activities related to processing and paying unemployment insurance benefits. It also provides states with access to interest-free loans to help pay regular UI benefits through December 31, 2020, if needed. The federal government will cover 100% of Extended Benefit costs if certain administrative requirements are met. Extended Benefits provide an additional 26 weeks of unemployment compensation in the event unemployment is high.
 - Tax credits for self-employed individuals. Self-employed individuals qualify for the refundable credits, including those who must self-isolate, obtain a diagnosis, or comply with a self-isolation recommendation for COVID-19. Again, those self-employed individuals caring for a family member or for a child whose school or place of care has been closed due to COVID-19, are allowed a lesser refundable tax credit. As with employees, caps and limits apply.
- There is also a refundable tax credit equal to 100 percent of a qualified family leave equivalent amount for eligible self-employed individuals.
- The Secretary of Labor is required to provide technical assistance to states that want to set up work-sharing programs, in which employers reduce hours instead of laying employees off, and then employees receive partial unemployment benefits to offset the wage loss.

¹ Vox, by Anya van Wagtenonk, *The House coronavirus bill's paid leave provision would leave out millions of workers*, March 14, 2020.



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The bill does not include everything, however. Look for some ideas that have been bandied about to be considered in the second phase stimulus package. There is no payroll tax relief, specifically, FICA for the payment of Social Security and Medicare taxes, despite the President's request. As of yet, neither party seems to agree on the benefits of payroll tax relief as it will take a long time for taxpayers to reap any benefit, and it is very expensive, estimated at \$90 billion monthly.

The deadline for filing tax returns has been extended for 90 days from April 15th to July 15th. Payments may be delayed until that date with no additional penalty. The IRS has created a new website, irs.gov/coronavirus, that the IRS says is "focused on steps to help taxpayers, businesses and others affected by the coronavirus" (COVID-19).

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