# COVID-19 TAX UPDATE
AS OF APRIL 17, 2020
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There have been various state and federal tax law changes in response to the COVID-19 pandemic. Some of the changes have been made via administrative pronouncement or by executive order and other changes have been statutory in nature. Following is a general discussion of some of the key Connecticut and Federal changes as of April 17, 2020.

## **Federal Relief:**

The primary statute that has been enacted to assist taxpayers is the Coronavirus Aid, Relief, and Economic Security Act, introduced by Senator Mitch McConnell on March 19, 2020 as Senate Bill 3548 and signed into law by President Donald Trump as Public Law 116-136 on March 27, 2020 (the "CARES Act"). In addition, the Families First Coronavirus Response Act, was introduced by Representative Nita Lowey as House Resolution 6201 on March 11, 2020, and it was signed into law by President Donald Trump on March 18, 2020 as Public Law 116-127 (the "FFCRA Act"). The FFCRA Act mandates paid employee leave in certain circumstances and offers employers a corresponding tax credit, as discussed below.

On March 13, 2020, President Donald Trump also issued proclamation 9994, declaring the COVID-19 pandemic a national emergency, under federal law, including the Robert. T. Stafford Disaster Relief and Emergency Assistance Act. The Emergency Declaration triggered the application of certain federal tax statutes, including Section 139 of the Internal Revenue Code. In addition, the Emergency Declaration instructed the Secretary of the Treasury "to provide relief from tax deadlines to Americans who have been adversely affected by the COVID-19 emergency, as appropriate, pursuant to 26 U.S.C. § 7508(a)." This disaster declaration has led to the Internal Revenue Service making administrative changes involving filing deadlines, signature requirements, postponing collection activity, and launching its People First Initiative.

### Extension of Filing and Payment Deadlines:

*Personal Income Taxes* (*i.e.* Forms 1040): The deadline for filing personal income tax returns is extended from April 15, 2020 to July 15, 2020.

*Fiduciary Income Tax Returns* (*i.e.* Form 1041). The due dates for forms 1041 due between April 1, 2020 and July 14, 2020 are extended to July 15, 2020.

*Corporate Income Tax Returns (i.e*. Forms 1120 and 1120-S). The due dates for corporate income tax returns that were due between April 1, 2020 and July 14, 2020 are extended to July 15, 2020.

*Gift Tax Returns* (*i.e.* Form 709). The filing and payment due date for gift tax returns due on April 15, 2020 has been extended to July 15, 2020.

*Estate and Generation Skipping Tax Returns* (*i.e.* Form 706). The filing and payment due date for estate and generation skipping tax returns due between April 1, 2020 and July 14, 2020 is extended to July 15, 2020.

*Partnership Tax Returns* (*i.e.* Form 1065). The filing dates for partnership tax returns due between April 1, 2020 and July 14, 2020 are extended to July 15, 2020.

*Estimated Personal Income Tax Payments* (*i.e.* Form 1040-ES). The filing and payment deadline for personal estimated income tax and self-employment tax returns and payments that were due on April 15, 2020 and June 15, 2020 are extended to July 15, 2020.

*Federal Payroll Taxes.* Employers may defer paying the Employer's portion of Social Security Taxes that are due between March 27, 2020 and December 31, 2020. One-half of the deferred payroll taxes must be paid by December 31, 2021 and the other one-half must be paid by December 31, 2022. Self-employed individuals are granted a similar deferral for the Social Security portion of their self-employment taxes. The payroll tax deferral is not available with respect to employers who receive a Paycheck Protection Program loan that is forgiven under section 1106 of the CARES Act. CARES Act § 2302.

Relief for Individuals

*Recovery Rebates/ Economic Impact Payments*

Eligible Individuals can claim a $1,200 refundable credit ($2,400 for married filing joint filers) plus a $500 credit for each qualifying child for their 2020 tax year. An Eligible Individual is an individual who: (1) has a Social Security number and who is not a non-resident alien and (2) cannot be claimed as a dependent on someone else's income tax return. The credit phases out and is reduced by 5% of the Eligible Individual's adjusted gross income over $75,000 for individual returns, $112,500 for heads of household returns, and $150,000 for married filing joint returns. The credit phases out completely for individual returns at $99,000 per year of adjusted gross income, $136,500 for head of household returns, and $198,000 for married filing joint returns. The IRS will use the adjusted gross income from a taxpayer's 2018 return in calculating the credit if the individual has not yet filed their 2019 federal income tax return then. The payments will be sent to most individuals automatically. CARES Act § 2201.

*Qualified Disaster Relief Payments:*

Gross income does not include any amounts received by an individual as a qualified disaster relief payment. Qualified disaster relief payments must be made to, or for the benefit of an individual, and include any amount to reimburse or pay reasonable and necessary personal, family, living, or funeral expenses incurred as a result of a qualified disaster (but only to the extent that the expense compensated by the payment was not otherwise compensated for by insurance or some other reimbursement). A qualified disaster includes any federally declared disaster, which typically includes losses incurred as a result of terrorist attacks and natural disasters. However, President Donald Trump triggered the gatekeeping requirements of IRC § 139(g) when he declared a national emergency under the Robert T. Stafford Disaster Relief and Emergency Assistance Act

due to the COVID-19 pandemic. As a result, employers may now provide tax-favored financial assistance to employees who are affected by COVID-19.

Such tax-free payments include payments for the following expenses: unreimbursed medical expenses (including co-pays, deductibles, vitamin, and supplements); over-the-counter medications, hand sanitizer, and home disinfectant supplies; child care or tutoring due to school closings; work-from-home expenses (such as setting up a home office), increased expenses associated with being quarantined at home (such as utilities expenses, and higher internet costs); housing for additional family members (such as transportation and living expenses for college students returning home); nonperishable food purchases; expenses to enhance mental health and physical well-being from social distancing (such as meditation apps or home health fitness); and increased commuting costs (such as taking a taxi instead of using public mass transportation). The payments, however, do not include the following: nonessential or unreasonable products or services; payments that constitute wage replacement (such as payment for lost wages, lost business income, unemployment benefits, paid sick leave or other leave); and other expenses that are compensated by insurance or other sources.

Section 139 does not include a dollar limit, so an employer can, in theory, provide an affected employee with a significant payment so long as the payment is reasonable and necessary. Employees are not required to account for or substantiate actual expenses during this time, provided that the amount of the payments can be reasonably expected to be commensurate with the expenses incurred. Finally, qualified disaster relief payments should be fully deductible.

*Increased Charitable Deductions and Above the Line $300 Deduction:*

Historically, the charitable contribution deduction has been limited, generally, to a percentage of the donor's income since the limitation first became part of the federal income tax law in 1917. There have been several modifications to the limitation over the years to reflect Congressional policy to encourage or discourage certain kinds of contributions to certain charitable organizations. Most notably, before the Tax Reform Act of 1969, an individual donor could generally deduct charitable contributions in an amount not to exceed 20% of the donor's adjusted gross income, or 30% for contributions to certain organizations such as churches, certain educational organizations, and hospitals. The Tax Reform Act of 1969 increased the deduction to 50% of a taxpayer's adjusted gross income for donations to public charities. The Tax Cuts and Jobs Act of 2017 increased the amount of the deduction to 60% of a taxpayer's adjusted gross income. The CARES Act suspended the 60% limitation for cash donations to a public charity, other than a donor advised fund and private operating foundation, thus, allowing a deduction of up to 100% of a taxpayer's adjusted gross income for 2020. In addition, taxpayers who do not itemize their deductions are entitled to a $300 above the line deduction for cash contributions to qualified charitable organizations made during 2020. CARES Act §§ 2204 & 2205.

*Paid Sick and FMLA Leave:*

The Families First Coronavirus Response Act created a federal paid sick leave requirement for coronavirus related illnesses and it expanded the Family and Medical Leave Act to include a paid component for employers whose children attend schools or daycares that are closed due to

the coronavirus outbreak. Sick leave is paid at the employee's regular rate (up to $511 per-day and $5,110 in the aggregate) for up to two weeks of work (80 hours) and family leave is to be paid at two-thirds of the employee's daily rate (up to $200 per-day and $10,000 in the aggregate) for an additional ten weeks. These requirements generally apply to employers with fewer than 500 employees, but employers with fewer than 50 employees can apply to the Department of Labor for a hardship waiver if complying with the requirements would jeopardize the viability of the business as a going concern. Employers are also eligible to receive refundable payroll tax credits in connection with providing paid leave to employees between April 1, 2020 and December 31, 2020 in an amount equal to: the required paid leave, the employer's share of Medicare tax imposed on the paid leave wages, and the employer's cost of maintaining health insurance coverage for the employee during the sick leave period. The employer is not subject to the employer portion of the Social Security tax on the paid leave. The program is intended to be revenue neutral for employers and employers can withhold the amount of the benefit they are required to pay from the payroll taxes that they would otherwise be required to pay over. If the amount that can be withheld is insufficient to cover the expenses then an effected employer can request an advance payment from the IRS. Self-employed individuals can receive similar credits. Qualified sick leave wages and qualified family leave wages for which a credit is available to the employer under the FFCRA are excluded from payroll in calculating the loan amount for purposes of the Payroll Protection Program. FFRCA, CARES Act § 1102; IRS Notice 2020-21, IRS News Release 2020-57, DOL RIN 1235-AA35.

*Tax Favored Retirement Plan Withdrawals:*

The 10% early withdrawal penalty on distributions from qualified retirement plans (*e.g.* IRAs, 401Ks, 403(b) plans, and governmental 457(b) plans) for distributions to individuals who are under 59 ½ is waived for up to $100,000 of distributions from a retirement plan that are made between January 1, 2020 and December 31 2020 to an individual who is: (a) diagnosed with COVID-19, (b) whose spouse or dependent is diagnosed with COVID-19, (c) who experiences the following types of financial hardship because of COVID-19: (i) a quarantine, (ii) being furloughed, or being laid off, (iii) being unable to work because of a lack of childcare, (iv) the closing or reduced hours of the individual's business due to COVID-19, (v) or other factors determined by the Treasury Department. Taxpayers may also ratably pay the income taxes due on the withdrawal over three years or they can avoid recognizing gain on the distribution by repaying the distribution within three years of the distribution. CARES Act § 2202.

*Retirement Plan Loans:*

Retirement plan participants can traditionally borrow up to the lesser of 50% of their vested qualified retirement plan balance or $50,000 before the loan amount is treated as a distribution. From March 27, 2020 until September 23, 2020 the amount that may be borrowed from a qualified employer retirement plan is increased to the lesser of the employee's vested account balance or $100,000 and the rules treating a loan in excess of $50,000 as a deemed distribution are increased from $50,000 to $100,000. The due dates for payments due between March 27, 2020 and December 31, 2020 are also extended for 12 months. Eligible plans include section 401(a) qualified plans, section 403(a) qualified annuities, section 403(b) tax sheltered annuities, and section 457 plans. CARES Act § 2202.

*Waiver of IRA Required Minimum Distribution Rules:*

Individuals who have turned 72 years old (or 70 ½ before January 1, 2020) are traditionally required to take required minimum distributions from their IRAs and qualified employer retirement accounts. The required minimum distribution rules are waived for IRA and defined contribution plans for the 2020 calendar year. IRC § 401(c)(9)(i); 402(c)(4); CARES Act § 2203.

*Employer Student Loan Assistance:*

A less-highlighted provision of the CARES Act relates to employer assistance with student loan repayment help for employees. The CARES Act allows employers to make payments of up to $5,250 toward employees' student loan debt and the payments are tax-free for the employee through December 31, 2020. The $5,250 cap applies to both the student loan repayment benefit as well as other educational assistance, such as tuition reimbursement, fees, and books, provided by the employer under current law. Prior to the CARES Act, any employer payments toward student loans counted as wages, or income, to the employee. The employee was required to pay taxes on the amount received, and if the employee's student loans were in an income-based repayment plan, the monthly amount owed would increase due to the higher income. Now, under the CARES Act, these payments do not have to be included as income for employees for income tax purposes. This is in addition to the relief of Section 3513 of the CARES Act which provides that no payments are required on federal student loans between March 13, 2020 and September 30, 2020. In addition, the interest on federal student loans will not accrue from March 13, 2020 to September 30, 2020. CARES Act §§ 2206; 3513.

<u>Relief for Businesses</u>

*Delay of Due Date for Retirement Plan Contributions:*

The traditional deadline to make contributions to an IRA for an individual is the date that the individual's income tax return is due (April 15th) and the deadline for an employer to make a contribution to an employer sponsored plan is the date the employer's tax return is due (often March 15th), plus any extensions granted for the filing of the individual's or employer's income tax return. These contribution dates are extended to July 15, 2020. IRS Notice 2020-18.

*Limitation on Excess Business Losses.*

The TCJA of 2017 disallowed excess business losses for noncorporate taxpayers for tax years beginning after December 31, 2017 and ending before January 1, 2026. An excess business loss is the amount that a taxpayer's trade or business deductions for a tax year exceed the business's gross income or gain for the tax year, plus $250,000. The CARES Act removes the limitation on excess business losses for taxpayers, other than corporations, for tax years beginning after December 31, 2017 and before January 1, 2020. CARES Act § 2304; IRC § 461(l).

*Deductibility of Interest Expense Increased:*

The Tax Cuts and Jobs Act of 2017 generally limited the amount of business interest that can be deducted to 30% of a taxpayer's adjusted taxable income. The CARES Act temporarily (and retroactively) increases the limitation to 50% of a taxpayer's adjusted taxable income for tax years beginning in 2019 and 2020. In addition, taxpayers can use their 2019 adjustable taxable income in lieu of their 2020 adjustable taxable income for purposes of calculating the amount of interest that is deductible. There is a special rule for partners in partnerships under which the increase in the limitation only applies to partners in 2020 and not to partners in 2019. For partners who do not elect out, excess business interest of the partnership for any tax year beginning in 2019 that is allocated to the partner will be allocated as follows: 50% of the excess business interest will be treated as being paid or accrued by the partner in the partner's first tax year beginning in 2020 and 50% will remain suspended until the partnership allocates excess taxable income or excess interest to the partner (or the partnership is no longer subject to section 163(j)). Code § 163(j)(10); CARES Act § 2306(a).

*Federal Repeal of Taxable Income Limitation for Net Operating Losses:*

For tax years beginning after December 31, 2017, a taxpayer cannot generally use net operating losses to offset all of the taxpayer's taxable income. The limitation works by limiting a taxpayer's net operating loss deduction to the lesser of: (1) the aggregate of the net operating loss carryovers to the year and the net operating loss carrybacks to the year or (2) 80% of taxable income computed without regard to the net operating loss deduction. The net operating loss taxable income limitation is suspended to allow a net operating loss carryforward to fully offset a taxpayer's current income. For tax years beginning before January 1, 2021, the net operating loss limitation is completely removed so taxpayers can offset a net operating loss deduction against 100% of their income. For tax years beginning after December 31, 2020, taxpayers will be able to take a net operating loss deduction equal to the lesser of 100% of their pre-2018 net operating loss carryforwards and a deduction limited to 80% of their modified taxable income for net operating losses in 2018 or later. Code§ 172(b); CARES Act § 2303(a).

*Federal Modification of Net Operating Loss Carryback Rule:*

Except for farming losses and losses incurred by property and casualty insurance companies, a net operating loss for any tax year is carried forward to succeeding tax years, but it cannot be carried back to prior tax years. The CARES Act modifies this rule to allow net operating loss carrybacks to the five preceding tax years for net operating losses arising in a tax year beginning after December 31, 2017 and before January 1, 2021. The carryforward provisions regarding net operating losses remain. Real Estate Investment Trusts are not eligible for the net operating loss carryback. Code § 172(b)(1); CARES Act § 2303(b).

*Federal Employee Retention Payroll Tax Credit:*

An eligible employer can receive a refundable payroll tax credit equal to 50% of the wages paid by the eligible employer (up to $10,000 per-employee) that are paid after March 12, 2020, but before January 1, 2021. An Eligible Employer is an employer (including a not-for-profit): (a) whose operations have been fully or partially suspended as a result of a government order limiting commerce, travel, or group meetings, or (b) who has experienced a more than a 50% reduction in

quarterly receipts – measured on a year-over-year basis. An employer is no longer eligible for the credit when the employer's quarterly gross receipts exceed 80% of the comparable quarter's prior year receipts. An employer is not an Eligible Employer if the employer received a Paycheck Protection Program Loan under section 1102 of the CARES Act. If an employer had 100 or fewer employees in 2019 then all employee wages qualify for the credit, but for employers who had over 100 employees only the wages of employees who are furloughed or who face reduced hours as a result of the employer's closure or reduction in gross receipts are eligible for the credit. An Employer cannot receive the credit for an employee for any period during which the employer receives a Work Opportunity Credit under section 21 of the Internal Revenue Code with respect to an employee. The employer can immediately receive the credit by reducing the amount of the employer's payroll tax deposits that have been withheld from employee wages, and if the amount withheld is insufficient to cover the credit amount the employer can request an advance payment from the IRS. CARES Act § 2301.

*Payroll Protection Program Loans*:

The CARES Act aims to provide relief, among other ways, by making loans available to small businesses through a new $349 billion small business loan program, also known as the Payroll Protection Program ("PPP"). The PPP provides eligible business access to federally guaranteed loans available at community and other banks for the purpose of assisting small businesses in retaining workers and maintaining payroll over the coming months. For the period from February 15, 2020 to June 30, 2020 (the "emergency period"), the PPP allows the Small Business Administration (the "SBA") to provide 100% federally-backed loans up to a maximum amount to eligible businesses to help pay payroll and certain other costs. Subject to certain conditions, loan amounts are forgivable.

The PPP builds off of existing small business loan opportunities provided by the SBA by broadening the availability of such loans and providing incentives to small businesses to access loans under the program. Businesses that were not previously eligible for small business loans are now eligible to apply for the loans under the PPP, including (i)any business concern, 501(c)(3) organization, veterans' organization or Tribal business employing not more than the greater of 500 employees or, if applicable, the size standard regarding number of employees established by the SBA for the industry in which the entity operates; (ii) sole proprietors; (iii) independent contractors; and (iv) eligible self-employed individuals.

One of the most attractive aspects of the PPP is the opportunity for a business to receive loan payment deferral relief and, in certain circumstances, loan forgiveness. Cancellation of indebtedness income does not arise from the forgiveness of a Paycheck Protection Program Loan to the extent that the amount forgiven was used during the first eight week period beginning on the date of the loan origination to retain employees, make interest payments on covered mortgage obligations, make payments on covered lease obligations, or to make covered utility payments.

*Modification of Corporate Alternative Minimum Tax Provisions:*

Prior to the TCJA, the alternative minimum tax ("AMT") applied to corporations and allowed corporate taxpayers to generate minimum tax credits ("MTCs") in certain circumstances.

The TCJA repealed the corporate AMT (effective for tax years beginning after December 31, 2017) and included transition rules to allow taxpayers to utilize their remaining MTCs before 2022. Section 53 of the TCJA allowed corporations to fully utilize MTCs against regular tax liability, reduced by certain credits. For tax years beginning in 2018, 2019, or 2020, corporations could receive a refundable credit equal to 50% of the excess of the MTC for the tax year over the amount of the credit allowable for the year against regular tax liability. Beginning in tax year 2021, corporations could receive a refundable credit equal to 100% of the excess of the MTC for the tax year over the amount of the credit allowable for the year against a regular tax liability. Any remaining MTCs were intended to be fully refundable for a corporation's 2021 tax year under the TCJA.

Section 2305 of the CARES Act allows corporations to accelerate the recovery of refundable MTCs. Instead of allowing a 50% credit for 2018, 2019, and 2020, and a 100% credit in 2021, the CARES Act allows corporations to receive a 50% credit for 2018, and a 100% credit for 2019, or alternatively, the corporation may elect to claim the entire refundable credit amount for 2018. The CARES Act allows a corporation to follow a quick refund procedure to claim its aggregate MTCs for its 2018 tax year, which must be filed by December 31, 2020. If the corporation does not want to amend its 2018 return, it may claim its outstanding MTCs on its 2019 return. CARES Act § 2305.

*Qualified Improvement Property Technical Correction:*

Another key provision of the CARES Act is the technical correction to the TCJA regarding qualified improvement property ("QIP"). By way of background, QIP was originally defined to include any improvement to an interior portion of a building which was nonresidential real property, if such improvement was placed in service after the date such building was first placed in service. QIP did not include the enlargement of a building, any elevator or escalator, and the internal structural framework of a building because at the time QIP was enacted as a property type other similar, but slightly different, asset categories existed such as qualified leasehold improvements, qualified retail improvements and qualified restaurant property. The TCJA eliminated the other asset categories, leaving QIP as the sole asset category covering nonresidential improvements with its previous definition. The intent of the TCJA was that QIP would have a 15-year recovery period and would therefore be eligible for the first-year bonus depreciation deduction under IRC § 168(k). However, due to a drafting error, a recovery period was not assigned to QIP and it defaulted to a 39-year recovery period. The CARES Act retroactively corrects this technical error and specifically qualifies QIP as 15-year property for bonus depreciation purposes, now incentivizing taxpayers to continue to invest in improvements through significant tax savings. This correction is effective as if it had been included in the TCJA, which includes assets placed in service after 2017. Accordingly, taxpayers should generally be able to change QIP depreciation methods by filing an automatic accounting method change, of if the asset was only appreciated on a single return (*i.e.* it was placed in service in 2019 and the 2019 return has not yet been filed), the asset's depreciation method may be corrected with an amended return. CARES Act § 2307.

<u>Administration and Enforcement:</u>

*IRS To Accept Electronic Signatures:*

From March 27, 2020 until July 15, 2020 the IRS will accept scanned or photographed images of signatures and digital signatures on documents related to the determination of a tax liability. The documents that can be signed electronically include: extensions on statutes of limitations on assessment or collection, agreements regarding specific tax matters (such as closing agreements), and any other statement or form needing the signature of a taxpayer or taxpayer's representative outside of standard filing procedures. In addition, the IRS will accept documents via email and will allow its employees to transmit documents to taxpayers using SecureZip or other established secure messaging systems. NHQ-01-0320-0001; IRM sec. 1.11.2.2.4; IRS AO-08-0420-0003.

*IRS People First Initiative and IRS Civil Tax Collection:*

Installment Agreements: For those under an *existing* Installment Agreement, payments are suspended from April 1 to July 15, 2020. Although, the IRS will not default any Installment Agreements during this time, taxpayers should note that, by law, interest will continue to accrue on any unpaid balance. Additionally, if a taxpayer is unable to fully pay the taxpayer's federal taxes, the taxpayer can still resolve outstanding liabilities by entering into an Installment Agreement with the IRS.

Offers in Compromise ("OIC"): For those with a pending OIC application, the IRS is allowing an extension until July 15 to provide additional requested information in support of their OIC. The IRS will not close any pending OIC application before July 15 without the taxpayer's consent. For those with an existing OIC, the IRS is giving the taxpayers an option to suspend all payments on accepted OICs until July 15, while noting as above, that by law, interest will continue to accrue on unpaid balances. Additionally, the IRS will not default an OIC for delinquent filing of a 2018 tax return, but these taxpayers should file their delinquent 2018 tax return (and 2019 tax return) on or before July 15. Finally, the IRS will continue to accept new OIC applications for those taxpayers wishing to resolve outstanding tax liability with a "fresh start."

Audits: Generally, during this period, the IRS will not start new field, office, and correspondence examinations. The IRS will continue to work refund claims where possible (without in-person contact) and may start new examinations where the IRS deems it necessary to protect the government's interest in preserving the statute of limitations. All in-person meetings regarding current examinations will be suspended, but IRS examiners will continue their examinations remotely to the extent possible. Taxpayers should continue to respond to information requests, if they are able to do so. Finally, the IRS may move forward with an examination in those instances where it is in the best interests of both the taxpayer and the IRS.

Collection Activities: Liens and levies (including the seizure of a personal residence) previously initiated will be suspended during this time period. However, field revenue officers will continue to pursue high-income non-filers and perform other similar activities where warranted. New automatic liens and levies will be suspended during this period. Additionally, the IRS will not forward new delinquent accounts to private collection agencies during this time period. Finally, the IRS will suspend new certifications (which prevent taxpayers from receiving

or renewing passports) to the Department of State for taxpayers who are "seriously delinquent" during this period.

Appeals: Appeals employees will continue to work on their cases but will not hold in-person conferences with taxpayers. Taxpayers should continue to respond to outstanding information requests during this time.

Statute of Limitations: As noted above, the IRS will continue to act where necessary to preserve the statute of limitations. If a taxpayer does not agree to extend the statute of limitations (when requested), the IRS may issue Notices of Deficiency (or other similar actions) to protect the government's interest. In cases where the statute of limitations is not set to expire in 2020, the IRS is unlikely to pursue the mater until at least July 15.

**Connecticut Tax Relief:**

Following directives and emergency declarations from Governor Ned Lamont, the Connecticut Department of Revenue Services has also responded quickly to the COVID-19 pandemic through various public announcements. Many of the announcements made by the Connecticut Department of Revenue Services track the changes made by the Internal Revenue Service and federal government, including extensions for filing and payment of personal income taxes, gift and estate taxes, sales and use taxes, and business taxes. The major changes are outlined below.

*Extension of Filing and Payment Deadlines*:

*Personal Income Taxes* (*i.e.* CT 1040): The filing date for income tax returns due on April 15, 2020 has been extended to July 15, 2020.

Fiduciary Income Taxes (*i.e.* CT 1041) The income tax filing and payment deadlines for returns due between April 1, 2020 and July 14 2020 are extended to July 15, 2020.

*Gift Tax Returns* (*i.e.* CT 709). The Connecticut Department of Revenue Services has extended the time to file federal gift tax returns due on April 15, 2020 to July 15, 2020 and to pay associated gift taxes.

*Estimated Personal Income Tax Payments* (*i.e.* CT 1040-ES). The Connecticut Department of Revenue Services granted an extension to the filing and payment of personal estimated income tax payments for the first and second quarters of 2020 from April 15, 2020 and June 15, 2020 to July 15, 2020.

*Estate Tax Returns* (*i.e.* Form CT 706) The deadlines for payment and filing for estate tax returns due between April 1, 2020 and July 14, 2020 are extended to July 15, 2020.

*Estate Tax Return for Non Taxable Estates* (*i.e.* form CT-706 NT) The deadline to file a CT 706 NT that is due between April 1, 2020 and July 14, 2020 is extended to July 15, 2020.

*Connecticut Pass-Through Entity Tax Return* (*i.e.* Form CT-1065/ CT-1120 SI): An extension has been granted from March 15, 2020 to July 15, 2020 and the payment deadline is extended to July 15, 2020.

*Connecticut Unrelated Business Income Tax Return* (*i.e.* Form CT-990T): The filing date and the payment date are both extended to July 15, 2020.

*Connecticut Corporation Business Tax Return* (*i.e.* Form CT-1120 and CT-1120CU): The filing date and the payment date for returns due between March 15, 2020 and July 14, 2020 are both extended to July 15, 2020.

*Suspension of Plastic Bag Tax*:

Commencing August 1, 2019 a 10 cents per-bag tax was imposed on plastic bags less than 4 mils thick; provided the Tax does not apply to bags used for produce, meat, seafood, or other unwrapped items that are dispensed prior to checkout. The tax on single use plastic bags has been temporarily suspended from March 26, 2020 through May 15, 2020. Any fees that stores collect for plastic bags during the suspension period are subject to the sales tax.

Effective March 30, 2020, small businesses that have less that $150,000 in annual sales tax liabilities or room occupancy taxes (based on a calendar year) are granted an automatic extension of time to file and pay their sales taxes. For monthly filers the returns due on March 30, 2020 and April 30, 2020 are extended until May 31, 2020.

Effective March 30, 2020 small businesses that have less than $150,000 in annual room occupancy tax (based on a calendar year) are granted an automatic extension of time to file and pay their room occupancy tax.

*Municipal Deferment and Low Interest Rate Programs:*

Every municipality is required to adopt at least one of two programs to provide municipal tax relief and must notify the Connecticut Secretary of the Office of Policy and Management no later than April 25, 2020 regarding which of the programs the municipality is participating in or that the municipality is participating in both programs. The first program requires the municipality to offer to eligible taxpayers, businesses, nonprofits, and residents a deferral of ninety days for payments due between March 10, 2020 and July 1, 2020 for taxes on real property, personal property or motor vehicles, or municipal water, sewer, and electricity charges or assessments from the time they were otherwise due. To be eligible for the deferment a taxpayer must attest to or document that the taxpayer is experiencing significant economic hardship as a result of COVID-19 or the taxpayer is providing relief to those significantly effected by COVID-19. Under the second program, municipalities are only permitted to charge 3% interest per annum for 90 days from the time the payment is otherwise due for any tax, rate, charge, or assessment that is due and payable from March 10, 2020 through July 1, 2020 (unless the delinquent portion would otherwise be subject to a lower rate, in which case the lower rate would apply). CT Governor Executive Order 7S.