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Small Business Services Group

TRONCONI SEGARRA
& ASSOCIATES^{LLP}

Certified Public Accountants
Business Consultants

SOLUTIONS BEYOND THE OBVIOUS

"In times of stress, the best thing we can do for each other is to listen with our ears and our hearts and to be assured that our questions are just as important as our answers."

Fred Rogers – "Mister Rogers" – American television personality, musician, puppeteer, writer, producer and Presbyterian minister, and host of TV's Mister Rogers' Neighborhood, 1928 – 2003

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Standing With You

By Michael B. Dolan, CPA, Partner, Small Business Department Practice Area Leader

Hello! I hope this finds each of you healthy and doing well as we experience one of the hottest summers on record (so far). At the risk of using what has become an overused phrase this year, what an unprecedented year this is! Who could have ever predicted this global COVID-19 pandemic would impact virtually every facet of our lives, not to mention our very existence.

On behalf of my partners, we want to express our gratitude and appreciation for your loyalty and support during this year. Since the pandemic began, as a designated essential business that did not cease operations for even one day, our professionals have been assisting many of our small business clients to identify the most appropriate financial relief solutions to help mitigate the effects of closures, diminished business activity and employee issues. To do this most efficiently, back in March we launched our [COVID-19 Response Team](#) comprised of Tronconi Segarra & Associates professionals and support personnel who have been dedicated to providing information, education and answers about the new and existing financial relief solutions. Our Response Team is doing an incredible job answering clients' emailed questions

one-on-one, in weekly webinars, and through the dedicated [COVID-19 Resource Center](#), a section of our website that we created and now houses information on all of the relief legislation that has been signed by the President, additional information on other relief programs available, links to many governmental resources, and archived links to our weekly COVID-19 webinars and the corresponding slides. Our COVID-19 Response Team has been featured on WIVB-TV, WGRZ-TV and Business First. Many, many clients and other businesses who have availed themselves of our COVID-19 Resource Center and Response Team have emailed us to say that our COVID-19 Response Team's efforts are far and away the best they have seen. While we are humbled by these words, we are also gratified to know that so many businesses have been helped by our Response Team, and will continue to be helped as long as needed through this pandemic.

If your business is in need of financial relief information or assistance with your Paycheck Protection Program loan forgiveness calculation or application, please contact our Response Team at COVID19Team@tsacpa.com. Your Tronconi Segarra & Associates partners and advisors are also standing at the ready to assist. Please see additional information throughout this newsletter on COVID-19 relief measures. *Thank you.*

PAYCHECK PROTECTION PROGRAM HAS REOPENED FOR APPLICATIONS

The Small Business Administration's (SBA) Paycheck Protection Program and Health Care Enhancement Act (PPP) resumed accepting applications on July 6, 2020, in response to President Trump signing extension legislation for the Program on July 4, 2020.

The new deadline for businesses to apply for a PPP loan is August 8, 2020.

The PPP is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll during the coronavirus pandemic. Since the PPP was first signed into law as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) on March 27, 2020, numerous Interim Final Rules (IFRs), guidance, Affiliation rules, Frequently Asked Questions (FAQs), additional PPP legislation and additional Congress-approved funding have been released and passed, resulting in an extremely complex legislation package.

In addition, many businesses may be eligible for full or partial PPP loan forgiveness if they can document that certain percentages of their loan proceeds were used for payroll (maintaining their employees on the payroll during the pandemic) vs. specified operational costs (rent, mortgage interest, utilities among others). A complex calculation is required as part of the forgiveness documentation, and borrowers are encouraged to maintain good records in order to facilitate completion of this calculation and to maximize the amount of forgiveness they may be eligible for.

The Tronconi Segarra & Associates COVID-19 Response Team can assist you with your forgiveness calculation and any questions you may have about PPP loans and loan forgiveness. Email the Team at COVID19Team@tsacpa.com.

Paycheck Protection Program: Significant Milestones and Modifications

Since the Paycheck Protection Program (PPP) was signed into law on March 27, 2020 as part of the CARES Act, there have been a combination of over 80 modifications, extensions or additions to the law, including issuances of Interim Final Rules and guidance, extensions of deadlines, increases in funding, rules changes and more. The PPP has become one of the most complex pieces of federal legislation ever signed into law, especially in such a short period of time.

Let's take a look at where the PPP stands today, given these changes. (Visit tsacpa.com for full details.)

- As we mentioned in the article to the left, the new deadline for businesses to apply for a PPP loan is August 8, 2020. This is due to an extension of the legislation loan period signed into law on July 4, 2020 by President Trump. Originally, the last day loan applications were to be accepted was June 30, 2020. However, since the PPP program had approximately \$130 billion left out of the \$650 billion originally earmarked by Congress to make loans to businesses, coupled with the fact that there existed businesses that still needed relief assistance.
- On June 5, 2020, the President signed into law the Paycheck Protection Program Flexibility Act (PPP Flexibility Act)** to provide businesses with greater flexibility and more time to maximize forgiveness of loans received under the original PPP. The PPP Flexibility Act was further supplemented by the Joint Statement, issued on June 8, 2020, by Treasury Secretary Steven Mnuchin and SBA Administrator Jovita Carranza, along with the Seventeenth Interim Final Rule issued by the SBA on June 11, 2020. **What does all of this mean?** The most significant aspects of the PPP Flexibility Act include an expansion of the 8-week "forgiveness period" to 24 weeks after the date of disbursement of the PPP loan to the PPP borrower, but in no event can the end of the 24-

week expanded forgiveness period go beyond December 31, 2020. Prior to enactment of the PPP Flexibility Act, a PPP borrower could apply for loan forgiveness for up to the amount of the PPP loan proceeds expended on authorized uses during the 8-week period immediately following receipt of the loan. **The PPP loan borrower chooses which forgiveness period – 8 weeks or 24 weeks – to use when calculating and filing its PPP loan forgiveness application.**

- The PPP Flexibility Act also reduced the minimum amount of PPP loan proceeds to be used to fund payroll costs from 75% down to 60%. The Joint Statement and Seventeenth Interim Final Rule clarified that a PPP borrower will be eligible for partial loan forgiveness even if a borrower uses less than 60% of the loan amount for payroll costs during the forgiveness covered period, subject to at least 60% of the loan forgiveness amount having been used for payroll costs.
- The PPP Flexibility Act **extends the safe harbor period to December 31, 2020** for a PPP borrower to eliminate a reduction in employment, salary and wages that would otherwise reduce the forgivable amount of its PPP loan. Further, PPP borrowers will not experience a reduction in their forgiveness amount due to a decline in the FTE employee count if the PPP borrower, in good faith, can document an inability to rehire individuals who were employees on February 15, 2020, or an inability to return to the same level of business activity as was occurring on February 15, 2020 due to compliance with sanitation, social distancing or worker/customer safety requirements issued by certain federal government agencies between March 1 and December 31, 2020.
- Additional provisions address the extension of payment deferral and an extension of the loan maturity date.

Contact COVID19Team@tsacpa.com with your questions!

Tax Changes in the CARES Act Legislation Provide Additional Relief

In addition to the relief provided by the PPP under the CARES Act, temporary changes to U.S. tax laws are also part of the CARES Act to help businesses and individuals offset the financial burdens and setbacks caused by COVID-19.

The following is a listing of these tax changes along with links to articles on our website that explain each change and the eligibility requirements.

Tax Changes Affecting Individuals

- [Summary of CARES Act Individual Tax Provisions](#)
- [Special Rules for Use of Retirement Funds](#) – Authored by Mark A. Tronconi, CPA, MBA, Partner, Tax Department Practice Area Leader
- [Modification of Limitations on Charitable Contributions](#) – Authored by Adam P. Ohar, CPA/ABV, Tax Department Senior Manager
- [Exclusion for Certain Employer Payments of Student Loan Payments](#) – Authored by Lisa A. Mrkall, CPA, MBA, Small Business Department Tax Principal
- [Economic Impact Payments](#) – Authored by Melissa S. Howell, CPA, Small Business Department Tax Principal

Tax Changes Affecting Businesses

- [Summary of CARES Act Employment Tax Provisions](#)
- [Deferral of Payment of Employer Payroll Taxes](#) – Authored by Thomas E. Mazurek, Jr., CPA, SALT Partner
- [Modification of Limitation of Losses for Non-Corporate Taxpayers](#) – Authored by Stefan D. Cwynar, CPA, Tax Department Manager
- [Technical Amendments Regarding Qualified Improvement Property](#) – Authored by John J. Callahan, CPA, Tax Department Partner

- [Employee Retention Credit](#) – Authored by Thomas E. Mazurek, Jr., CPA, SALT Partner
- [State Corporate Income Tax Considerations Related to CARES Act Tax Provisions](#) – Authored by Robert H. Lamb, CPA, Tax Department of Counsel
- [Modification of Limitation on Business Interest](#) – Authored by David J. Lever, CPA, Tax Department Principal
- [Modifications for Net Operating Losses](#) – Authored by James K. Frank, CPA, Tax Department Partner
- [Modifications to Corporate Alternative Minimum Tax \(AMT\) Credit Refunds](#) – Authored by Kathleen A. Grieco, CPA, MBA, Tax Department Senior Manager
- [Deferral of Payment of Employer Payroll Taxes](#) – Authored by Thomas E. Mazurek, Jr., CPA, SALT Partner
- [Summary of CARES Act Business Tax Provisions](#)

Listen to our May 8, 2020 Tax Webinar

On May 8, several Tronconi Segarra & Associates professionals presented a webinar where they discussed a wide range of topics regarding COVID-19 tax changes, including the Federal government response, the CARES Act, the Families First Coronavirus Response Act (FFCRA), and state tax considerations. [You can listen to a recording of this tax webinar by clicking here.](#)

[A copy of the webinar slides can be viewed or downloaded by clicking here.](#)

Questions? Need clarification on any of these topics? Contact our COVID-19 Response Team by emailing COVID19Team@tsacpa.com.

WEBINAR WORLD

The May 8 Tax Webinar is far from the only webinar our COVID-19 Response Team has presented. Beginning in early April, the Tronconi Segarra & Associates has presented a weekly webinar devoted to discussing the numerous COVID-19 relief programs, updates and related tax changes. In addition, each month we presented a special webinar that was co-hosted by our friends at Employer Services Corporation, Liz Warren and Rachael Brown, where they discussed strategies and guidelines for businesses looking to re-open and bring employees back into their workplaces.

All of these webinars have been recorded and the slides made available to you at the [Tronconi Segarra & Associates COVID-19 Resource Center located on our website](#). When you click on this link, you will be on the COVID-19 Resource Center landing page. Scroll down to nearly the end of the landing page to find the list of webinars, a link to each webinar's recording, and a link for the slides for each webinar so you can follow along as you listen to the recording.

We always post a registration link to our next upcoming webinar on our COVID-19 Resource Center landing page. [The registration link for the next upcoming webinar is always located near the top of the COVID-19 Resource Center landing page.](#)

The Further Consolidated Appropriations Act, 2020, and SECURE Act, Part 2

Continuing from the beginning of this article in our February 2020 newsletter, we present the conclusion here.

Tax free distributions from Section 529 plans to cover costs associated with registered apprenticeship programs are permitted after December 31, 2018. This includes fees, textbooks, supplies, and equipment. Tax free distributions made after this date for qualified student loan repayments, including those for siblings, are now permitted, up to \$10,000. Any deduction for student loan interest must be reduced by such amounts. There is an aggregate lifetime limit of \$10,000 per beneficiary and per each beneficiary's sibling.

There were also significant increases in penalties relating to retirement plans:

- Failure to file Form 5500 penalty – increases to \$250 per day, to a maximum of \$150,000.
- Failure to file registration statement penalty is now \$10 per day, up to a maximum of \$50,000.
- Failure to file required notification of change penalty increases to \$10 per day, up to a maximum of \$10,000.
- Failure to provide required withholding notice is \$100 per failure, up to a maximum of \$50,000 for any failures in a calendar year.

Two significant changes that were considered fixes to items previously passed in the Tax Cuts and Jobs Act of 2017 include:

- The kiddie tax reverts back to pre-TCJA rules and uses the tax rates of parents, instead of higher trust tax rates. This change is effective years beginning after December 31, 2019; however, taxpayers can elect to retroactively apply this change to 2019 and 2018.
- The Non-Profit Parking Tax has been repealed for all amounts incurred after

December 31, 2017. Tax exempt organizations that paid this tax can obtain a refund for amounts paid in 2018 and 2019 by filing an amended Form 990-T.

Private foundations were also affected by the Act; beginning with years after December 20, 2019, the excise tax is a single rate of 1.39%, rather than the 1% / 2% rates previously imposed.

Finally, many of the tax extenders were reinstated. For individuals, the following provisions were retroactively extended from 2018 through the end of 2020:

- Reduction in AGI floor for medical deductions 7.5% (from 10%).
- Above-the-line deduction for tuition & fees.
- Treatment of private mortgage insurance (PMI) as deductible qualified residence interest.
- Exclusion of qualified principal residence indebtedness from gross income.

For businesses, the following provisions were retroactively extended from 2018 through the end of 2020:

- Accelerated depreciation for business property on Indian reservations.
- Native American employment credit.
- Special expensing rules for film, television, and live theatrical performances.
- New market tax credits and incentives for investments in empowerment zones are extended through the end of 2020 along with many business and individual energy credits through 2020.

A SPECIAL WEBINAR RECORDING: COVID-19 ACCOUNTING: PPP, EIDL, PAYROLL TAX CREDITS AND DEFERRALS

On June 23 and 24, several professionals from our Small Business Department, General Ledger Specialists Group and our Accounting & Auditing Department presented webinars focused on how to account for the transactions related to the many COVID-19 relief programs. The webinars also featured representatives from national payroll companies that provided information on which payroll reports could be helpful to businesses when doing their PPP loan forgiveness calculations and PPP loan forgiveness applications.

[These webinar recordings and corresponding slide presentations can be found on our website here.](#)

If you have COVID-19 accounting questions, please contact our General Ledger Specialists at our Williamsville office at 716.633.1373.

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