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A Message From The President

John McKinney



John McKinney

March is here, and tax season is in full swing. Partnership and S-corporation deadlines have passed and we now are in the race to the finish.

The media can't stop talking about the COVID-19. Medical professionals say we should be washing our hands often, with soap and water. Cover your cough and stay home when you are sick. Hand sanitizer and face mask are in short supply. Most of the recommendations I hear are just good hygiene, best practices that we were taught as children.

Is the media creating a story from a common virus? Some say its political others say a conspiracy. It has certainly affected the economy and the stock market.

Will we close our offices and stay home until it passes? I think not. Our members are professionals; we have a responsibility to our clients. We will continue to serve our clients by making all the necessary adjustments in this "new normal" during this very busy time of year.

NCSA CHAPTERS

All chapter meetings have been cancelled due to restaurants not allowing inside dining. Please keep in touch with each other and let's work together to keep our society strong during this crisis.

UPDATES

As information comes out that is important we will broadcast it to our members by an email blast. Please look for updates from us periodically.

IRS CORONAVIRUS INFORMATION

IRS has developed a webpage on [irs.gov](https://www.irs.gov) to share tax related information as we endure the Coronavirus. The page has all the latest news releases and official information. It is important to rely on vetted sources during this time, as the news stations will take a sound bite and interpret it to be more sensational and garner viewers when the truth is not quite the same.

Check out the webpage here:
<https://www.irs.gov/coronavirus>

NCDOR PROVIDES PENALTY WAIVERS FOR LIMITED TIME

On March 10, 2020, Governor Roy Cooper signed Executive Order 116 declaring a state of emergency in response to COVID-19. The Secretary has become aware that, because of COVID-19, some taxpayers may not be able to meet certain filing or payment requirements. In response, the Secretary has elected to waive the following penalties for failing to obtain a license, to file a return, or to pay taxes:

The penalty for failure to obtain a license (G.S. 105-236(a)(2)); The penalty for failure to file a return (G.S. 105-236(a)(3)); The penalty for failure to pay tax when due (G.S. 105-236(a)(4)); and The penalties regarding informational returns (G.S. 105-236(a)(10)) collectively, "Late Action Penalties". The waiver applies to the failure to timely obtain a license, file a return, or pay a tax that is due between March 15, 2020, and March 31, 2020, if the license is obtained, the return or extension application is filed, or the tax is paid by April 15, 2020.

The Department will waive any Late Action Penalties assessed against taxpayers that have been affected by COVID-19 ("Affected Taxpayers"). The waiver for Affected Taxpayers will apply to Late Action Penalties for deadlines occurring between March 15, 2020, and March 31, 2020. To qualify for the waiver, an Affected Taxpayer must file the return, pay the tax, obtain the license, or receive an extension on or before April 15, 2020. The waiver will be considered a waiver for special circumstances. The waiver will not be considered a waiver for good compliance that can only be granted once every three years per tax type.

State law prevents the Department from waiving any interest, including interest assessed for the underpayment of estimated tax, except in the limited case of interest on taxes imposed prior to or during a period for which a taxpayer has declared bankruptcy under Chapter 7 or Chapter 13 of Title 11 of the United State Code.

Affected Taxpayers who cannot meet their filing or payment requirement as a result of COVID-19 should complete Form NC-5500, Request to Waive Penalties ("NC-5500"). Affected Taxpayers should write "COVID-19" on the top of the NC-5500.

The NC-5500 or letter should be mailed to the North Carolina Department of Revenue, Customer Service, P.O. Box 1168, Raleigh, NC 27602.

NC SECRETARY OF STATE COVID UPDATE FROM CHERI MYERS, BUSINESS REGISTRATION DIVISION

During these uncertain times around the COVID-19 crisis, the Office of the Secretary of State has determined it necessary to close its doors to the general public beginning Friday, March 20 at 4 pm. This wasn't an easy decision for us to make, and that certainly doesn't mean business will stop. Many of the transactions that you complete with us can be done thorough our website ([sosnc.gov](https://www.sosnc.gov)).

Because our downtown building has a small lobby and high foot traffic from the public, closing the building to the public is the responsible choice to make for the health of our staff and the public we serve. We will still provide the great customer service that you expect from us and do our best to minimize interruptions. If you have questions, call us at 919.814.5400.

Contact emails:

Reinstatements – notice@sosnc.gov

Annual Reports – arinfo@sosnc.gov

Authentications – authen@sosnc.gov

Service of Process – sop@sosnc.gov

Regular Document Filings – corpinfo@sosnc.gov

We appreciate your patience as we navigate through these changes. For more details, see our press release at <https://bit.ly/3dncUDg>

NC DIVISION OF EMPLOYMENT SERVICES COVID-19 INFORMATION

A website has been developed at <https://des.nc.gov/need-help/covid-19-information>

Here are some highlights:

- Employees can qualify immediately for benefits if their job is lost or reduced due to Coronavirus, there are no job search requirements. Filings can be done online.
- Employers accounts WILL NOT be charged for benefits paid due to Coronavirus.

VIRTUAL TAX PRACTICE

Many of us are firmly immersed in our procedures with physical workpapers, organizers, source documents and face to face meetings with clients. The novel Coronavirus now makes us rethink it all and consider the pros of a Virtual Practice. In a Virtual Practice, meetings are held by Zoom, Skype or FaceTime. Documents are scanned or photographed and uploaded to client portals, delivery of returns and documents is handled by posting to the same portal. Signatures are digital and handled through securely encrypted programs that provide proper security. We all use some or all of these technologies in our practices but most of us are not 100% virtual, with the need to social distance growing more than ever now may be time to increase our Virtual Practice. Accounting Today has an article here that has more information: <https://www.accountingtoday.com/news/practice-profile-a-virtual-success>

Tax Day Now July 15: Treasury, IRS Extend Filing Deadline and Federal Tax Payments Regardless of Amount Owed

WASHINGTON – The Treasury Department and Internal Revenue Service announced today that the federal income tax filing due date is automatically extended from April 15, 2020, to July 15, 2020.

Taxpayers can also defer federal income tax payments due on April 15, 2020, to July 15, 2020, without penalties and interest, regardless of the amount owed. This deferment applies to all taxpayers, including individuals, trusts and estates, corporations and other non-corporate tax filers as well as those who pay self-employment tax.

Taxpayers do not need to file any additional forms or call the IRS to qualify for this automatic federal tax filing and payment relief. Individual taxpayers who need additional time to file beyond the July 15 deadline, can request a filing extension by filing Form 4868 through their tax professional, tax software or using the Free File link on IRS.gov. Businesses who need additional time must file Form 7004.

The IRS urges taxpayers who are due a refund to file as soon as possible. Most tax refunds are still being issued within 21 days.

“Even with the filing deadline extended, we urge taxpayers who are owed refunds to file as soon as possible and file electronically,” said IRS Commissioner Chuck Rettig. “Filing electronically with direct deposit is the quickest way to get refunds. Although we are curtailing some operations during this period, the IRS is continuing with mission-critical operations to support the nation, and that includes accepting tax returns and sending refunds. As a federal agency vital to the overall operations of our country, we ask for your personal support, your understanding – and your patience. I’m incredibly proud of our employees as we navigate through numerous different challenges in this very rapidly changing environment.”

The IRS will continue to monitor issues related to the COVID-19 virus, and updated information will be posted on a [special coronavirus page](#) on www.irs.gov.

This announcement comes following the President’s emergency declaration last week pursuant to the Stafford Act. The Stafford Act is a federal law designed to bring an orderly and systematic means of federal natural disaster and emergency assistance for state and local governments in carrying out their responsibilities to aid citizens. It was enacted in 1988.

Treasury and IRS will issue additional guidance as needed and continue working with Congress, on a bipartisan basis, on legislation to provide further relief to the American people.

Treasury, IRS and Labor Announce Plan to Implement Coronavirus-Related Paid Leave for Workers and Tax Credits for Small and Midsize Businesses to Swiftly Recover the Cost of Providing Coronavirus-Related Leave

IR-2020-57, March 20, 2020

WASHINGTON — Today the U.S. Treasury Department, Internal Revenue Service (IRS), and the U.S. Department of Labor (Labor) announced that small and midsize employers can begin taking advantage of two new refundable payroll tax credits, designed to immediately and fully reimburse them, dollar-for-dollar, for the cost of providing Coronavirus-related leave to their employees. This relief to employees and small and midsize businesses is provided under the Families First Coronavirus Response Act (Act), signed by President Trump on March 18, 2020.

The Act will help the United States combat and defeat COVID-19 by giving all American businesses with fewer than 500 employees funds to provide employees with paid leave, either for the employee's own health needs or to care for family members. The legislation will enable employers to keep their workers on their payrolls, while at the same time ensuring that workers are not forced to choose between their paychecks and the public health measures needed to combat the virus.

• **Paid Sick Leave for Workers**

- For COVID-19 related reasons, employees receive up to 80 hours of paid sick leave and expanded paid child care leave when employees' children's schools are closed or child care providers are unavailable.

• **Complete Coverage**

Employers receive 100% reimbursement for paid leave pursuant to the Act.

- Health insurance costs are also included in the credit.
- Employers face no payroll tax liability.
- Self-employed individuals receive an equivalent credit

• **Fast Funds**

Reimbursement will be quick and easy to obtain.

- An immediate dollar-for-dollar tax offset against payroll taxes will be provided
- Where a refund is owed, the IRS will send the refund as quickly as possible.

• **Small Business Protection**

Employers with fewer than 50 employees are eligible for an exemption from the requirements to provide leave to care for a child whose school is closed, or child care is unavailable in cases where the viability of the business is threatened.

• **Easing Compliance**

- Requirements subject to 30-day non-enforcement period for good faith compliance efforts.

To take immediate advantage of the paid leave credits, businesses can retain and access funds that they would otherwise pay to the IRS in payroll taxes. If those amounts are not sufficient to cover the cost of paid leave, employers can seek an expedited advance from the IRS by submitting a streamlined claim form that will be released next week.

Background

The Act provided paid sick leave and expanded family and medical leave for COVID-19 related reasons and created the refundable paid sick leave credit and the paid child care leave credit for eligible employers. Eligible employers are businesses and tax-exempt organizations with fewer than 500 employees that are required to provide emergency paid sick leave and emergency paid family and medical leave under the Act. Eligible employers will be able to claim these credits based on qualifying leave they provide between the effective date and December 31, 2020. Equivalent credits are available to self-employed individuals based on similar circumstances.

Paid Leave

The Act provides that employees of eligible employers can receive two weeks (up to 80 hours) of paid sick leave at 100% of the employee's pay where the employee is unable to work because the employee is quarantined, and/or experiencing COVID-19 symptoms, and seeking a medical diagnosis. An employee who is unable to work because of a need to care for an individual subject to quarantine, to care for a child whose school is closed or child care provider is unavailable for reasons related to COVID-19, and/or the employee is experiencing substantially similar conditions as specified by the U.S. Department of Health and Human Services can receive two weeks (up to 80 hours) of paid sick leave at 2/3 the employee's pay. An employee who is unable to work due to a need to care for a child whose school is closed, or child care provider is unavailable for reasons related to COVID-19, may in some instances receive up to an additional ten weeks of expanded paid family and medical leave at 2/3 the employee's pay.

(continued on page 5)

Treasury, IRS and Labor Announce Plan to Implement Coronavirus-Related Paid Leave for Workers and Tax Credits for Small and Midsize Businesses to Swiftly Recover the Cost of Providing Coronavirus-Related Leave

(continued from page 4)

Child Care Leave Credit

In addition to the sick leave credit, for an employee who is unable to work because of a need to care for a child whose school or child care facility is closed or whose child care provider is unavailable due to the Coronavirus, eligible employers may receive a refundable child care leave credit. This credit is equal to two-thirds of the employee's regular pay, capped at \$200 per day or \$10,000 in the aggregate. Up to 10 weeks of qualifying leave can be counted towards the child care leave credit. Eligible employers are entitled to an additional tax credit determined based on costs to maintain health insurance coverage for the eligible employee during the leave period.

Prompt Payment for the Cost of Providing Leave

When employers pay their employees, they are required to withhold from their employees' paychecks federal income taxes and the employees' share of Social Security and Medicare taxes. The employers then are required to deposit these federal taxes, along with their share of Social Security and Medicare taxes, with the IRS and file quarterly payroll tax returns ([Form 941](#) series) with the IRS.

Under guidance that will be released next week, eligible employers who pay qualifying sick or child care leave will be able to retain an amount of the payroll taxes equal to the amount of qualifying sick and child care leave that they paid, rather than deposit them with the IRS.

The payroll taxes that are available for retention include withheld federal income taxes, the employee share of Social Security and Medicare taxes, and the employer share of Social Security and Medicare taxes with respect to all employees.

If there are not sufficient payroll taxes to cover the cost of qualified sick and child care leave paid, employers will be able to file a request for an accelerated payment from the IRS. The IRS expects to process these requests in two weeks or less. The details of this new, expedited procedure will be announced next week.

Examples

If an eligible employer paid \$5,000 in sick leave and is otherwise required to deposit \$8,000 in payroll taxes, including taxes withheld from all its employees, the employer could use up to \$5,000 of the \$8,000 of taxes it was going to deposit for making qualified leave payments. The employer would only be required under the law to deposit the remaining \$3,000 on its next regular deposit date.

If an eligible employer paid \$10,000 in sick leave and was required to deposit \$8,000 in taxes, the employer could use the entire \$8,000 of taxes in order to make qualified leave payments and file a request for an accelerated credit for the remaining \$2,000.

Equivalent child care leave and sick leave credit amounts are available to self-employed individuals under similar circumstances. These credits will be claimed on their income tax return and will reduce estimated tax payments.

Small Business Exemption

Small businesses with fewer than 50 employees will be eligible for an exemption from the leave requirements relating to school closings or child care unavailability where the requirements would jeopardize the ability of the business to continue. The exemption will be available on the basis of simple and clear criteria that make it available in circumstances involving jeopardy to the viability of an employer's business as a going concern. Labor will provide emergency guidance and rulemaking to clearly articulate this standard.

Non-Enforcement Period

Labor will be issuing a temporary non-enforcement policy that provides a period of time for employers to come into compliance with the Act. Under this policy, Labor will not bring an enforcement action against any employer for violations of the Act so long as the employer has acted reasonably and in good faith to comply with the Act. Labor will instead focus on compliance assistance during the 30-day period.

For More Information

For more information about these credits and other relief, visit [Coronavirus Tax Relief](#) on IRS.gov. Information regarding the process to receive an advance payment of the credit will be posted next week.

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