



KANSAS FARM MANAGEMENT ASSOCIATION

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AN OVERVIEW OF TAX RELATED PROVISIONS FOR AGRICULTURAL PRODUCERS IN RECENT COVID-19 LEGISLATION

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You have probably read, or seen in the news, that the government has recently passed legislation to assist taxpayers and small businesses negatively impacted by COVID-19 (coronavirus). There are various components to the new legislation and this document is intended to provide an overview of a few of the provisions that may impact Kansas agricultural producers.

This summary is not intended as tax advice and does not cover the provisions in detail. Please contact your tax advisor to learn more about how these provisions apply to your farm or ranch business.

Tax Filing and Payment Deadlines

The deadline to file your federal and Kansas income tax returns for 2019, and to pay any tax due, has been pushed back to July 15, 2020. If you have already filed, but have not paid, you can wait until July 15, 2020, to make any payment that is due.

If you pay federal quarterly tax estimated taxes, the deadline for the first quarterly estimate has been moved from April 15 to July 15. The second quarterly estimate is still due June 15. The schedule for Kansas 2020 estimated tax payments was not changed with the change in the Kansas 2019 filing deadline. The first Kansas quarterly estimate is still due April 15.

2020 Economic Impact Payments

The economic impact payments established in the new legislation are an **advance** of a 2020 tax credit equal to \$1,200 per individual (\$2400 for a married filing joint couple) and \$500 per qualifying child under 17. The credit begins to phase out if your adjusted gross income (AGI) is above: \$75,000 for an individual, \$112,500 for head of household, \$150,000 for a couple filing jointly and is eliminated completely if your AGI is above \$99,000 for an individual, \$136,500 for head of household, and \$198,000 for a couple filing jointly. Your AGI can be found on line 7 (Form 1040) of your 2018 tax return or line 8b (Form 1040) of your 2019 tax return.

In order to quickly distribute the payment, the IRS will calculate the payment amount based on your tax return filed for 2018, unless your 2019 return has already been filed. The advance payment of the credit will be reconciled on your 2020 tax return. If the advance payment you receive is more than what is calculated on the

2020 return, you will not have to repay the excess. If you receive a payment that is less than what is calculated on the 2020 tax return, you will receive the additional amount as a credit on your 2020 return.

If you have filed a 2018 or 2019 tax return, you do not need to take further action to receive the advance credit payment. The payment will be direct deposited into your bank account if that information was included with either your 2018 or 2019 tax return. The IRS has announced that it will add a portal to irs.gov to allow you to review/update bank account information.

Retirement Plans

If you take an early withdrawal (before age 59 ½) from a retirement plan a 10% early withdrawal penalty is typically owed. In this new legislation, if an early withdrawal is taken due to a coronavirus related event, this penalty will be waived for withdrawals up to \$100,000. A coronavirus related event is one of the following:

- 1.) Taxpayer, spouse, or dependent test positive
- 2.) Suffer adverse financial conditions from quarantine, business closer, layoff, reduced hours, childcare, etc.

These withdrawals will still be subject to income tax. You can recontribute the withdrawn amount over a three-year period without impacting annual contribution limits in the subsequent year.

In addition, all required minimum distributions (RMD's) for qualified plans are waived for 2020.

Families First Coronavirus Response ACT (FFCRA): Emergency Paid Sick Leave

The FFCRA is effective as of April 1st and applies to employers with less than 500 employees (both part-time and full-time). Under the FFCRA, an employer is **required** to pay up to 80 hours of paid sick or childcare leave over a 2-week period when an employee cannot work because they:

- 1.) Are subject to a federal, state, or local quarantine order (the current “stay-at-home” order in effect in Kansas is not a quarantine order)
- 2.) Have been advised by a doctor to self-quarantine
- 3.) Have symptoms and are seeking medical attention
- 4.) Are caring for an individual who is subject to the first two items
- 5.) Are caring for their son or daughter if the child's school or place of care is closed or if the childcare provider is closed because of COVID-19
- 6.) Are experiencing substantially similar conditions as defined by federal agencies

For part-time employees, the paid leave required is equal to an average of the number of hours they work over a 2-week period.

FFCRA: Emergency Family Medical Leave Expansion

FFCRA also **requires** ten additional weeks of paid childcare leave if an employee is unable to work because they have a bona fide need to care for a child whose school or childcare provider is closed. An employee must have been employed with you for at least 30 days to qualify.

If an employer has fewer than 50 employees, they may be eligible for an exemption from both paid leave requirements if they would jeopardize the viability of the business.

If you have an employee who qualifies for either paid sick leave or paid childcare leave described above, you can potentially claim a credit equal to the cost of leave paid. **There are further details and limitations to these requirements so please contact your tax advisor if you have an employee that cannot work because of one of the above six reasons.**

Coronavirus Aid, Relief, and Economic Security (CARES) Act: Payroll Protection Program (PPP)

Businesses with fewer than 500 employees may qualify for a loan through the Small Business Administration (SBA) to help cover the costs of payroll maintained during the coronavirus crisis. The loan may be eligible for tax-free forgiveness if the funds are used for payroll expenses (wages, health insurance premiums, and retirement benefits), certain interest payments on mortgage debt, qualified rent payments, and utility payments within the 8 weeks following the origination of the loan. Any portion of the loan that is not forgiven is paid back beginning six months after origination at 1% interest over a two-year term.

The SBA has released regulations for these loans, but for agricultural producers, there are still unanswered questions. If your farm business has employees, you may be eligible to apply and qualify for a PPP loan and should consult with your tax advisor and local lender regarding eligibility. Application for the loan is made through SBA approved lenders.

SBA began accepting applications on April 3, 2020. Because there is a cap on the funds available for these loans, and a high demand, it is possible that available funds will be absorbed in a short amount of time. However, without clear guidance, it may be difficult for many agricultural producers to accurately complete an application.

These loans may also apply to self-employed individuals in certain circumstances. SBA will begin accepting these applications on April 10, 2020.

CARES Act: Employee Retention Credit

The Employee Retention Credit is available to eligible employers and is equal to 50% of qualified wages paid from 3/13/2020 to 12/31/2020. You are an eligible employer if your business was fully or partially suspended due to government orders or you saw a significant decline in gross receipts (gross receipts fall below 50% of gross receipts of the same quarter in the prior year). For an employer with fewer than 100 employees, qualified wages include all employee wages paid during the quarters that you are an eligible employer but is limited to \$10,000 per employee for all quarters.

Because agriculture is considered essential under the current Kansas stay-at-home order, agricultural producers are likely not limited in their operations. Therefore, it is unlikely that a farm business would be considered an eligible employer under for this credit unless they can meet the gross receipts test.

Consult your tax advisor regarding eligibility for this credit.

Information regarding these new legislative actions is coming out quickly and from many sources. Further clarification and regulations for multiple provisions will continue to be available in coming days. Please contact your business or tax advisor for questions related to these issues and how they apply for your operation.

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