

# COVID-19 Fact Sheet #3



DODSON PARKER  
BEHM & CAPPARELLA PC

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*Our co-founder Harlan Dodson always says, "We only represent our friends. They may be strangers when they come to us, but they'll soon be our friends"*

*In uncertain times, it is more important than ever to prioritize friendship. That's why we're launching a series of practical informational sheets addressing current needs and preparing for the future.*

*Feel free to share this fact sheet. But be sure to contact a lawyer to receive legal advice.*

## FIVE THINGS TO KNOW: TAX MATTERS IN 2020

*This fact sheet covers important changes to state and federal tax deadlines, relaxed rules on hardship withdrawals from 401(k)s, and a deduction that can help employers and at home workers.*

### 1. IRS Extension for Filing and Paying Taxes

The April 15 deadline for the **filing of federal income tax returns and payment of the taxes has been extended to July 15, 2020**. Taxpayers can defer federal income tax payments until July 15, 2020, without penalties and interest. This applies to all taxpayers, including individuals, trusts and estates, corporation and other non-corporate tax filers, as well as those who pay self-employment tax.

#### **Q: What do you need to do right now about federal income tax returns?**

**A: Nothing**, if you file your tax return and make your payment by July 15, 2020. This extension has been granted to everyone, and there is no need to file any form to claim the extension. However, if you need additional time to file after July 15, 2020, you will need to submit a form to let the IRS know. The process will give individuals until October 15 to file. (Other taxpayers can be extended until September 15.) This is the normal "automatic extension" that is available each year to taxpayers. More information about IRS extensions can be found [here](#).

### 2. Tennessee Extensions for Business Tax, F&E Tax, Hall Income Tax

The filing deadline for **Business Tax returns** originally due April 15, 2020, has been **extended to June 15, 2020**. The Business Tax is a tax on gross receipts and applies to most business that sell goods or services.

#### **Q: What do you need to do right now about Tennessee business, F&E, and Hall Tax returns?**

**A: Nothing**, so long as you file and pay by the new deadlines. More information can be found [here](#).

### 3. Extended Deadline for 2019 IRA and Health Savings Account Contributions

In conjunction with the extension of the federal tax filing deadline, the deadline for contributions to IRAs and HSAs for the 2019 tax year has been extended to July 15, 2020. No charges have been made to the amounts of other qualifications related to these contributions. More information [here](#).



*For more than 30 years, our firm has helped businesses solve today's problems and prepare for tomorrow's challenges. We're proud to be a Nashville tradition.*

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## **4. 401(k) Hardship Withdrawals**

For the 6 months following the March 27, 2020 enactment of the CARES Act, the rules governing hardship distributions from retirement accounts have been relaxed. Persons affected by COVID-19 may access up to \$100,000 of their retirement savings (or 100% of the account if it is smaller than that amount) without the usual 10% penalty. The distribution will be treated as a loan for tax purposes, and a normal rate of interest applies. Moreover, if the hardship distribution is returned to the retirement savings account within 3 years, the no income tax will be imposed on the hardship distribution. As with other hardship rules, plans are not required to adopt these rules, so check with your plan administrator and your tax professional for more information.

## **5. Home Office Cost Deduction for Employers, Available Tax Benefit for Employees**

Finally, while this is not new for 2020, there is an existing tax provision that may be of benefit to employers and employees, since the pandemic has caused many to transition to an at-home

work environment. While employees can no longer deduct expenses for their at-home offices, employers may make tax-deductible payments to their employees for disaster-related expenses. Among the things which would be disaster-related expenses are certain expenditures for business equipment (i.e., office furniture and computers) made by employees who are required to work at home. This means that, if employers choose to reimburse workers for these expenses, then employers can take the deduction, and the reimbursement will not be counted as taxable income to the employee.

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*We are continuing to update our [blog](#) with additional resources on pandemic-related legal information.*

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