

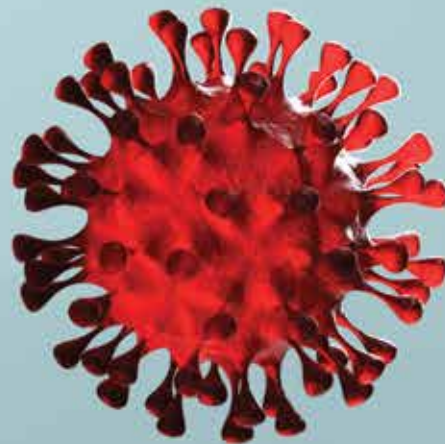
JOURNAL OF ACCOUNTANCY®

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Special Digital Edition | May 15, 2020

A new world

How COVID-19 could
change work and life

8



PLUS

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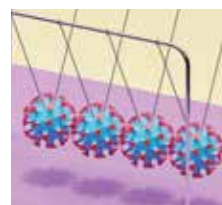
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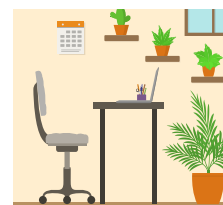
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Data security tips to help weather a pandemic

By Jamie Yoo

Cybercriminals love a crisis. Panic-inducing events such as the COVID-19 pandemic prove to be lucrative opportunities for the unscrupulous to capitalize on fear.

Social engineering attacks tailored to exploit the public unease surrounding the coronavirus have been on the rise. One sophisticated attack falsely claimed to be from the World Health Organization. The phony email included an attachment purportedly containing updated safety measures and treatments for symptoms. It exploited the public's hope for a swift end to the pandemic but, in reality, concealed malware designed to steal personal information.

The coronavirus pandemic has forced major changes to the ways we work and carry out day-to-day activities. Millions of Americans have been required to adapt quickly in order to work remotely. For CPAs, the adjustment has occurred during the height of busy season. The shift in where CPA firm employees work has resulted in significant changes to the way practitioners interact with clients and collaborate with one another. Social distancing and limitations on in-person meetings have created heavier-than-usual reliance on virtual and electronic communication.

Just as working remotely enables CPA practices and their employees to continue to serve clients during the pandemic, the responsibility of every practitioner to secure confidential client data continues as well.

In light of the ongoing cybersecurity threats caused by the pandemic environment, CPAs should exercise enhanced cautionary measures in order to avoid falling victim to schemes seeking to exploit security weaknesses and human psychology. Fortunately, both CPA firms and their employees can implement a number of measures to avoid such incidents and to protect and secure data.

ADDRESS THE RISKS OF ACCESSING SENSITIVE DATA REMOTELY

Ideally, data should be encrypted, whether in transit or at rest. To access the firm's systems remotely, employees may use home wireless

networks, which may be less secure than accessing the same information from the office. Unsecured or less secure networks may offer a back door to malicious actors monitoring connections to harvest confidential information. For example, data sent in unencrypted form can be easily intercepted and stolen by cybercriminals.

For this reason, security experts recommend that virtual private networks (VPNs) be used to route traffic to the firm's systems when working remotely, making it difficult for unauthorized parties to intercept the encrypted data and rendering it unreadable if they do.

REINFORCE SECURITY WEAKNESSES WITH PATCHES

Just as viruses mutate, cybercriminals' tactics to exploit and obtain access to sensitive data also evolve. Similar to vaccines, security patches are developed to help correct and address known vulnerabilities used by cybercriminals to gain unauthorized access to devices or applications.

It is important for firms to periodically assess whether devices and systems are up to date with security patches and anti-virus solutions.

STAY ENGAGED WITH VENDORS

The pandemic has shifted the preferred way for conducting meetings, conferences, and even social events to online. With such a dramatic shift in a short period, a number of security weaknesses with certain platforms and vendors have been revealed. Many providers have responded with options for users to address security concerns.

Rather than relying only on a vendor's reaction to security weaknesses, consider proactively managing vendor discussions in order to understand the controls or practices they may have in place to address any of the firm's security concerns.

For example, to support the shift to remote-working environments, many firms have implemented VPNs to permit employees secure access to firm resources. Consider discussing these changes with other vendors such as cloud service providers to determine whether changes

affect the compatibility with the vendor's technical requirements.

PROMOTE EMPLOYEE SECURITY AWARENESS

Like taking showers and wearing clothes other than pajamas, data security may not be the first priority on a CPA firm's growing list of matters to be tackled. However, it is essential during this critical period of disruption that employees be reminded of the importance of maintaining cybersecurity hygiene.

Consider sending friendly reminders to firm employees that emphasize the importance of the following:

- Employees should use only firm-issued or -approved devices to access company resources securely.
- If employees are using personal devices for business purposes, they should strengthen the security settings on their devices. Electronic work files from company resources should remain on company-issued or -approved devices, and not placed on personal devices.
- Reinforce how to identify phishing emails:
 - Links and attachments from unknown or untrusted senders should not be opened without careful inspection. When an embedded address appears suspicious or unfamiliar, hover over the link to view the full URL, or use URL checkers to confirm the safety of a suspicious link before clicking on it.
 - Do not respond to requests for sensitive information (i.e., account details, tax return information), especially if the request is marked as "urgent," without verifying the validity of the requester, even if it appears to come from a colleague or client. If the request is obtained via email, always confirm directly with the requester using alternative, verified contact information such as phone numbers.
- List the preferred tools and platforms employees are to use, such as cloud storage platforms, portals for sharing information, and virtual conferencing tools.
- Provide employees with clear guidance on how to report technical issues and empower them to report suspicious activity.

EMPLOY STRONG AUTHENTICATION PRACTICES

The importance of using strong passwords and multifactor authentication to enhance security measures is nothing new. Now is not the

time to allow these security measures to lapse or weaken. Refer to guidance on best practices outlined in NIST Special Publication 800-63, *Digital Identity Guidelines* (available at tinyurl.com/szwfaat), and continue to use strong password and authentication practices, including:

- **Password length:** Should be 8–20 characters.
- **Password complexity:** Consider requiring a combination of capital and lowercase letters, numbers, and special characters.
- **Password protection:** Passwords and user IDs should never be shared.

FINAL THOUGHTS

The coronavirus has been widely referred to as the "invisible enemy." This is a reminder that the invisible or intangible can have an impact as significant as physical threats, such as accidents or crime. Security risks take on similar characteristics, with the impact made tangible in the form of information compromised, reputation damaged, or dollars lost.

Depending upon the size of the CPA practice, the aforementioned tips and advice may seem too daunting and technical to tackle. Just as the global response to the COVID-19 pandemic has been multifaceted, requiring collaboration and support, a CPA firm's approach to addressing data security risk should be similar. The firm's leadership sets the tone and prioritizes data security. IT professionals are then empowered to establish security protocols to address the firm's data security risk. Finally, every individual at the firm is responsible for doing his or her part in maintaining cybersecurity hygiene.

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A health care worker outside Elmhurst Hospital Center in New York during the coronavirus pandemic on April 20.

PRACTICE MANAGEMENT

How the COVID-19 crisis is leading to lasting change

These 11 effects of the coronavirus pandemic may be here to stay.

By Jennifer Wilson

The COVID-19 pandemic has delivered painful and sobering impacts, starting with the loss of tens of thousands of lives in the United States and the grief associated with those deaths. People have also feared for their own safety and that of their loved ones; job losses and economic consequences; educational concerns for students; and the isolation brought about by stay-at-home orders.

Even with these terrible outcomes, the pandemic has also led to potentially lasting changes that may have positive impacts long after science brings the virus under control worldwide. Here are some of the effects of the pandemic that may be here to stay.

We're learning to reprioritize

COVID-19 has caused many of us to stop and reevaluate our personal and business priorities. For many of us, keeping our families safe has been job No. 1. The best business leaders also have put aside concerns about calendars, workflow, and day-to-day operations and focused first on the physical and emotional health and safety of their people. *This crisis is helping us put first things first.*

We have new heroes

Forgetting about sports figures, movie stars, and reality TV personalities, we've instead focused on the courage, generosity, and vulnerability of health care workers; cleaning company employees; police, fire, and ambulance first responders; grocery workers; garbage collectors; truck drivers; and all those on the front lines keeping us safe. *Maybe our appreciation for their contributions will remain strong when the virus is gone.*

We are witnessing countless generous acts and examples of teamwork across normal divides

People are pulling together to help their friends, neighbors, and communities. They are sewing masks and producing thousands of cheerful letters and emails to the elderly and at-risk who face terrible loneliness. The free sharing of entertainment, videoconference tools, and resources that might otherwise have been too cost-prohibitive has helped others pass the time and access each other remotely. *This crisis is proving that selfish interests can be put aside for the greater good.*

Accounting firms are putting together COVID-19 resources and services that clients need to survive the crisis.

Remote work is happening

Remote work offers many benefits — 10 of which I shared in a recent *CPA Insider* article (“10 Real Reasons to Go (and Stay) Remote,” *CPA Insider*, March 23, 2020, tinyurl.com/y92c6ewz). And this crisis has forced much of the world to launch a less-than-perfect, overnight remote-work pilot. And it's working. People are productive. They are communicating. Relationships are deepening. Clients are participating. Just think how much better it would be if we weren't afraid of illness, had our kids in school, or had access to child care — and if we could leave our homes at the end of the day for a change of scenery or to commune with others.

There will be a new way of conducting business going forward because there is no reason to go back to the old “in-person-is-best norm” when this crisis passes.

Technology skills are rising

Working remotely is providing many with a crash course in their firms' technology solutions. Those who previously relied on staff, administrators, or IT professionals for help with technology are having to “go it alone” at home. Remote work is causing everyone to up their technology game, making full use of the firm's various remote-access, workflow, and file-sharing solutions. And many are using different video chat platforms as we connect with one another personally. Some elderly shut-ins are learning to use smartphone apps to stay connected. On the other hand, young people who may have avoided laptop and desktop solutions in favor of apps are finding that some ▶

About the author

Jennifer Wilson is a partner and co-founder of ConvergenceCoaching LLC, a leadership and management consulting and coaching firm.

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Workers at General Motors' Kokomo, Ind., manufacturing facility, where ventilators are being produced.

traditional platforms provide them more options. *After COVID-19, people of all ages will have expanded their technology horizons.*

The move toward advisory services is continuing

The profession is being called to a higher level of advisory thinking and communicating, and practitioners are going deeper with clients than ever before. To me, being advisory is practicing a holistic, relational, inquisitive, and solutions-oriented mindset (see “5 Advisory Traits to Succeed at Consulting,” *CPA Insider*, June 17, 2019, tinyurl.com/y86qlh78). Right now, we can't approach our clients like it's business as usual without appearing tone-deaf. Instead, we need to know how they are doing, how their families are, what they're doing to stay safe, what the impacts of this crisis have been on their work life, and where their most significant concerns lie. Then, we must look for ways that we can help, whether or not they are related to the services we were engaged for.

CPAs and consultants are helping clients with cash flow and funding options, reforecasts of budgets, technology assistance to support their

remote work, and many other forms of assistance outside the compliance norm. *We've said that one day disruption would require a more advisory approach with our clients, and the COVID-19 crisis is definitive proof.*

Our relationship with team members is deepening

We are checking in on their personal well-being regularly and understanding their home life better. We're meeting their pets, children, significant others, and other housemates via videoconference. And, as leaders, we're having to share more, too. We're being humanized by our work-from-home persona. We're having to share details of our firm's emergency management plans and our firm's financial health and strategies to bolster it. And we're asking for assistance from our people to support the very survival of our businesses, which can be humbling, yet also inspiring. *After this crisis, we can be our more human selves and enjoy a deeper level of connection with our team members than we had before.*

Human ingenuity is in full throttle

While the crisis has impacted us all, many are channeling their energy into innovation. Examples ►

abound. We've heard stories of individuals using 3-D printers to make otherwise unavailable parts; of manufacturers pivoting their production lines to produce ventilators, face masks, and other needed supplies; of religious institutions using podcasts and video to hold services; and of restaurants shifting to make-it-at-home menu options and new delivery channels. In the midst of a stalled economy, entrepreneurs continue to provide valuable contributions.

In the accounting profession, firms are putting together COVID-19 resources and services that clients need to survive the crisis. They are hosting webinars weekly to communicate the latest relief resources and survival strategies. They are finding new ways to deliver traditional services digitally and remotely. *These innovations will last long after this crisis has passed.*

Earth is getting a breather

Thanks to the elimination of most daily commutes globally, carbon emissions, fossil fuel use, pollution, and noise “vibrations” are down. While this may be temporary, it proves that it's possible to change our habits to more positively impact the environment. *When the crisis clears, we may be more willing to make sacrifices to benefit our environment.*

We're remembering the power of the human spirit

With people in Spain banging pots and pans to show appreciation to health care workers each night, balcony singers and musicians sharing their talent with others, and health care workers fatigued from long hours in harrowing conditions returning each day to give more, this crisis is revealing the human commitment to turn

Remote work is causing everyone to up their technology game, making full use of the firm's remote-access, workflow, and file-sharing solutions.

bad into good and illuminating the strength of spirit we all share. *Our collective strength of spirit gives us all hope for an improved future after COVID-19.*

We're remembering who is important to us

Safe at home with our shelter mates, with calendars cleared of almost all social, sports, or other obligations, many of us are blessed to have more time with our precious family members. And seeing so much loss reminds us of how important those closest to us are. *Hopefully, when this crisis clears, we can make more time in our short lives for the people who matter most.*

To comment on this article or to suggest an idea for another article, contact Jeff Drew, a JofA senior editor, at Jeff.Drew@aicpa-cima.com. ■

AICPA RESOURCES

Articles

“10 Real Reasons to Go (and Stay) Remote,” *CPA Insider*, March 23, 2020, tinyurl.com/y92c6ewz

“5 Advisory Traits to Succeed at Consulting,” *CPA Insider*, June 17, 2019, tinyurl.com/y86qlh78

Virtual conference

The Main Event: ENGAGE 2020 Digital, July 20–24, 11 a.m.–5 p.m. ET, aicpaengage.com

Online resources

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The JofA's coronavirus resources page includes news and reporting on the coronavirus and how CPAs can handle challenges related to the pandemic, tinyurl.com/swk9wne

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65–69	16.90	9.70	5.70
70–74	30.20	19.40	10.90

Female Age	Standard Rate	Select Rate	Preferred Rate
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55–59	4.40	2.30	1.56
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65–69	13.70	8.20	4.60
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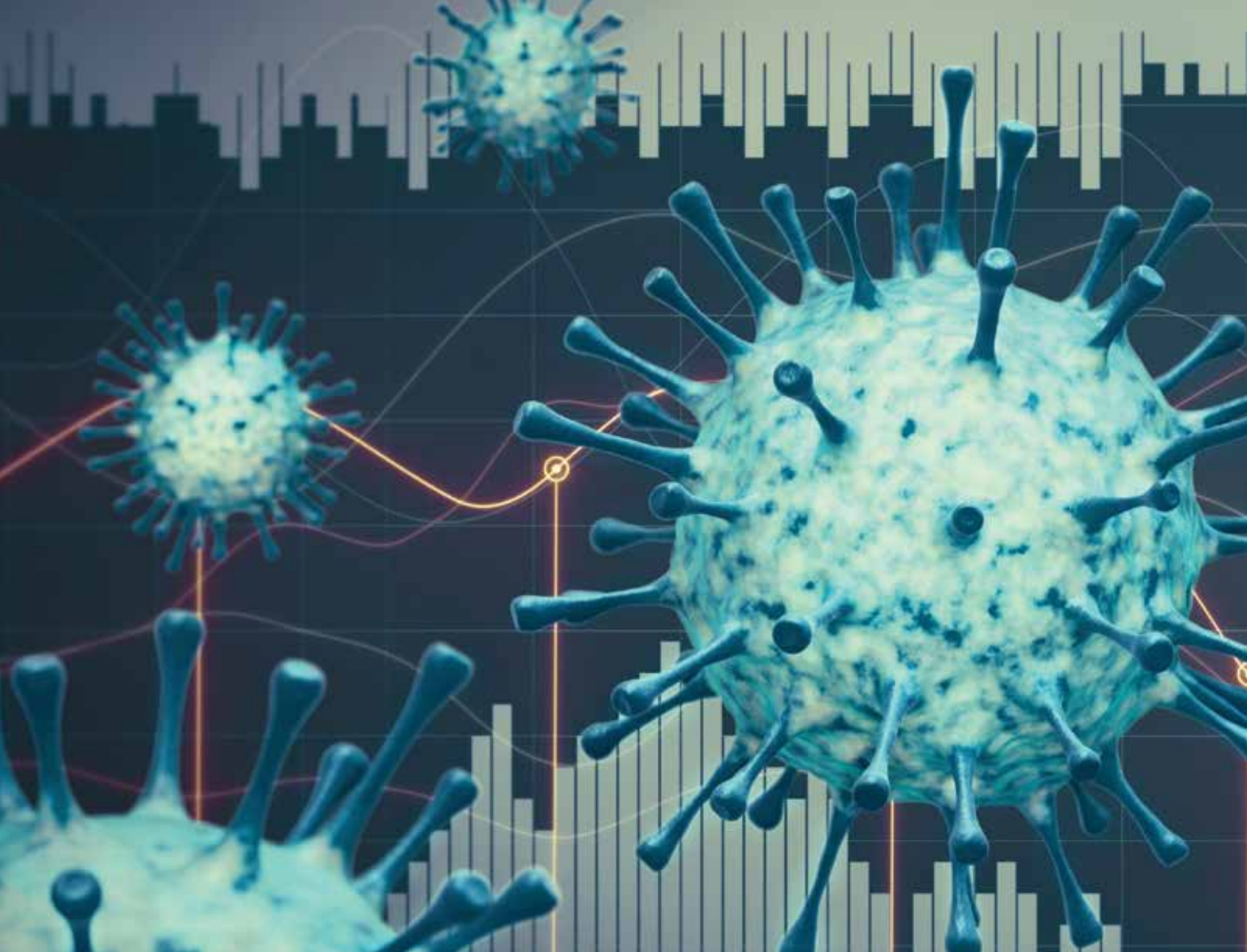


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AUDITING

Auditing during COVID-19: 6 areas to focus on

Practitioners and their clients are facing challenges they have never encountered before.

By Bob Dohrer, CPA, CGMA, and Carl Mayes, CPA



From banks to Main Street investors, financial statement users place their trust in auditors to assure the accuracy of the financial information they use to make decisions. As we navigate the impacts of COVID-19, the auditor's role as protector of the capital markets has never been more important.

But just as clients are scrambling to secure needed funding and managing remote workforces, auditors are also facing challenges that many have never experienced. Where do we begin? As many audits with Dec. 31 year ends are already underway, here are six areas to focus on as you perform your calendar year 2019 audits.

PERFORMING AUDIT PROCEDURES REMOTELY

For many auditors, conducting "field work" from a home office is a novel concept. Some have even questioned whether professional standards permit conducting audit work away from the client site.

While the standards address *what* evidence an auditor needs to obtain, they don't generally dictate *how* to meet those requirements. When auditing remotely, make sure you ►

As auditors work with clients throughout the pandemic, there is a real possibility that scope limitations will occur.



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have the right technological infrastructure in place and that your staff members have been adequately trained. If your client has paper books or records, ensure that they have access to relevant files, then develop a plan to address the authenticity of documents that have to be scanned or copied (e.g., by confirming directly with a third party).

GOING CONCERN

The COVID-19 pandemic has caused the financial position of many organizations to deteriorate. For clients in certain industries (e.g., restaurants, hospitality) and in certain geographical areas, the entity's ability to continue as a going concern may be called into question.

Start by assessing whether there are events or conditions (e.g., the pandemic) that raise substantial doubt that the entity can continue as a going concern. Management is also required to evaluate the entity's ability to continue as a going concern. Next, ask for that evaluation and consider whether it is complete and accurate. The look-forward period is one year from the date the financial statements are issued or available to be issued, unless otherwise specified in the financial reporting framework.

"Substantial doubt" means, in management's judgment, it is probable that the client will not continue as a going concern. When substantial doubt exists, disclosure in the financial statement notes is required, regardless of whether the doubt is alleviated by management's plans.

After determining whether there is substantial doubt, consider management's plans to alleviate that doubt. Then, assess the impact on the auditor's report as follows:

- If management's plan alleviates substantial doubt, an unmodified opinion may be issued.
- If the going concern basis of accounting is appropriate but substantial doubt remains, an emphasis-of-matter paragraph is required.

Free, in-depth audit and accounting resources

The AICPA has launched a free Coronavirus (COVID-19) Audit and Accounting Resources page at aicpa.org/eqq/covid19. Visitors can access reports that take deep dives into the topics covered in this article while learning more about key risks to consider in 2020 year-end audits. For information about how COVID-19 may impact other areas, from personal financial planning and tax to forensic accounting, visit the AICPA's Coronavirus (COVID-19) Resource Center at aicpa.org/coronavirus.

- If the going concern basis of accounting is not appropriate, an adverse opinion should be issued.

EMPHASIS OF MATTER

Even if there is not substantial doubt about an entity's ability to continue as a going concern, an auditor may still conclude that an emphasis-of-matter paragraph is necessary. This would be the case if an unusually important subsequent event or major catastrophe is disclosed in the financial statements and, in the auditor's opinion, it is necessary to draw the user's attention to the matter. In determining whether COVID-19 meets this definition for a given client, auditors should consider the circumstances of that particular client and exercise their professional judgment.

SCOPE LIMITATIONS

As auditors work with clients throughout the pandemic, there is a real possibility that scope limitations will occur. For example, confirmations that are a key source of evidence may not be returned and alternative procedures may not be considered sufficient, or it may not be possible to evaluate the design and implementation of relevant controls at the client. ▶

IN BRIEF

■ Auditors' service of the public interest remains critically important as businesses and individuals struggle amid the chaos caused by the

COVID-19 pandemic.

- The environmental changes brought about by COVID-19 have created new challenges for auditors that require heightened attention.
- Elements of auditing that have

taken on new significance amid the pandemic include remote audit procedures, going concern, emphasis-of-matter paragraphs, scope limitations, subsequent events, and risks and uncertainties.

To comment on this article or to suggest an idea for another article, contact Ken Tysiac, the JofA's editorial director, at Kenneth.Tysiac@aicpa-cima.com.

When assessing the impact of a scope limitation, auditors should focus on whether they are material and pervasive. “Pervasive” effects are those that, in the auditor’s judgment, meet one or more of the following criteria:

- Are not confined to specific elements, accounts, or items of the financial statements.
- If they are confined, represent or could represent a substantial proportion of the financial statements.
- With regard to disclosures, are fundamental to the users’ understanding of the financial statements.

Scope limitations that are material but are not pervasive to the financial statements result in a qualified opinion, while scope limitations that are both material and pervasive result in a disclaimer of opinion.

SUBSEQUENT EVENTS

For audits of calendar-year-end 2019 financial statements, COVID-19-related subsequent events are likely to be Type II events (i.e., events that provide evidence of conditions that arose after the date of the financial statements). This includes declines in the fair value of investments.

While these events would not require recognition in the financial statements, disclosure may be required. Auditors should assess the appropriateness of the subsequent-event disclosures in the financial statements, and if an appropriate disclosure is not made, a modified auditor’s opinion may be appropriate.

For audits of clients with year ends that fall in 2020, pandemic-related events may require adjustments to the financial statements or additional

The COVID-19 pandemic has caused the financial position of many organizations to deteriorate.

disclosures as Type I events (i.e., events that provide evidence of conditions that existed at the date of the financial statements).

RISKS AND UNCERTAINTIES

Management is required to disclose risks and uncertainties that could significantly affect (1) amounts reported in the financial statements in the near term or (2) the near-term functioning of the entity. Risks and uncertainties can stem from the nature of the entity’s operations, significant estimates, or current vulnerabilities due to certain concentrations.

Many entities will be required to disclose risks and uncertainties associated with COVID-19, as the pandemic may meaningfully impact significant estimates and exacerbate concentrations. Examples include market and geographical concentrations in an area severely affected by COVID-19, and concentrations in the volume of business with one customer, supplier, etc. As such, auditors should assess whether the robustness of disclosures appears appropriate. ■

About the authors

Bob Dohrer, CPA, CGMA, is the AICPA’s chief auditor. Carl Mayes, CPA, is an associate director with the Association of International Certified Professional Accountants.

AICPA RESOURCES

Articles

“How Auditors Can Test Inventory Without a Site Visit,” *JofA*, April 24, 2020, tinyurl.com/ycbgnwnxv

“Tips for Auditing With Changed Controls During the Pandemic,” *JofA*, April 13, 2020, tinyurl.com/y9yxwrcr

“Going Concern Tips for Auditors During the Pandemic,” *JofA*, April 3, 2020, tinyurl.com/vd73q3b

Podcast

“Pandemic-Specific Guidance for Auditors and Preparers,” *JofA*, April 7, 2020, tinyurl.com/wl8qefa

Special report

Consequences of COVID-19: Potential Auditing Challenges, Center for Plain English Accounting, tinyurl.com/rf2yub8

Webcast

“COVID-19 Audit Implications,” June 2 (#WC2305874) and July 21 (#WC2305882)

Conference

National Advanced Accounting and Auditing Technical Symposium (July 20–21) at ENGAGE Digital (July 20–24), aicpaengage.com

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Webpages

AICPA Coronavirus (COVID-19) Audit and Accounting Resources, aicpa.org/eaq/covid19

AICPA Coronavirus (COVID-19) Resource Center, aicpa.org/coronavirus

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PRACTICE MANAGEMENT

Preparing for business interruption claims

CPAs can take these steps to help their clients or companies prepare for filing insurance claims for losses caused by the COVID-19 crisis.

By Drew Adamek

While the novel coronavirus has had a catastrophic economic impact on businesses of all sizes, it is not clear that the effects will be covered under business interruption insurance policies because payouts on those policies are often triggered by physical damage. There

is widespread confusion over how, and if, the COVID-19 pandemic or the resulting government shutdown orders qualify as “physical damage,” and the issue is already being litigated across the country.

However courts decide the issue in the coming months, ►

there is much that CPAs can do right now to help clients or their own companies prepare for potential claims, even if most policies may not cover this pandemic, said Robert Glasser, CPA/CFF, CGMA, managing director of BRG's Business Insurance Claims practice and an expert in business interruption accounting.

"CPAs can be critical in helping clients recover losses in business interruption claims," he said. "Accountants can help create the necessary records and paper trails that businesses and clients will need to process any claims."

CPAs should also be aware that claims and payouts are informed by the specific language of the claimant's policies and that the coverage determination is highly dependent on the individual facts and circumstances of the loss and requires a rigorous claim investigation.

Glasser noted that, while every insurance contract and claim are different, he recommends that CPAs consider the following as they help clients build evidence for business interruption claims.

Identify and track coronavirus-related expenses

A key first step is to identify and catalogue expenses incurred by the organization as a result of the coronavirus that fall outside of normal business functioning, according to Glasser. These expenses can include facility cleaning, hiring extra security to watch over the business during closure, protective equipment, additional advertising or marketing to announce closure, or any other expenses incurred as a result of the coronavirus.

"It's any invoice that you get that you can say, 'But for coronavirus I would not have incurred that expense,'" he said. "Start a file and put that invoice in a file so that if there is an opportunity for a valid claim, you are going to have that."

Glasser recommends that CPAs create separate files and tracking mechanisms for coronavirus-related expenses to create a clear total for the claim.

Capture canceled orders

Another category of income loss for CPAs to capture and track are canceled or lost orders because of the coronavirus, according to Glasser. For example, for clients in the hospitality industry, that means keeping track of all canceled dinner reservations, or for florists, wedding arrangements that were called off because of the coronavirus. What's important to note is that the organization would have made a sale were it not for the coronavirus.

'Accountants can help create the necessary records and paper trails that businesses ... will need to process any claims.'

Robert Glasser, CPA/CFF, CGMA, managing director of BRG's Business Insurance Claims practice

"If you had any hard orders on your books before you had to shut down, then keep track of all the canceled orders," he said. "That includes inquiries about orders that you were not able to take because of the coronavirus."

As part of the record gathering for lost orders, CPAs should collect the order itself, the original date of the order, and the original date of the cancellation, Glasser said.

Preserve preclosure projections

Demonstrating the loss of expected revenue is a key component of developing a claim, according to Glasser. CPAs should collect and store as many indications of not only what normal operations were before the crisis, but also what they were expected to be, he said.

"Expected revenues are an important part of a business interruption claim," said Glasser. "Accountants should work with the client to calculate and preserve preclosure revenue projections."

Identify the impact on suppliers and customers

Accountants should be recording supply chain disruption, vendor closure, and infrastructure restrictions such as delivery delays that have a significant impact on an organization's ability to produce and sell products as part of a potential business disruption claim, according to Glasser.

"CPAs should track any customers or suppliers whose businesses have also been disrupted," he said. "They have a negative impact on your business and how you produce and sell your product."

It can be challenging to pinpoint how and ▶

About the author

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'Accountants should work with the client to calculate and preserve preclosure revenue projections.'

Robert Glasser, CPA/CFF, CGMA, managing director of BRG's Business Insurance Claims practice

where someone else's disruption impacts an organization, but Glasser recommends taking a wide view to increase the likelihood it will be covered.

Identify employees affected

One thing that may help make the case for physical damage claims is if an employee demonstrated symptoms or had a confirmed case of COVID-19. If it can be demonstrated that an employee's illness

required that an organization's physical space, such as a shop, factory, or restaurant, be closed, then organizations may argue that there was physical damage to the space.

However, Glasser cautions that this is far from certain and remains untested in court. CPAs should carefully evaluate the implications of maintaining records on affected employees and pay close attention to adhering to federal health privacy and security regulations under the Health Insurance Portability and Accountability Act and to other state and local privacy laws. CPAs should also carefully consider if this raises liability issues under other insurance policies.

Track official decrees

Many business disruption and business income loss policies contain "civil authority" provisions, which means that government orders that prevent access to or operation of a business qualify as triggering events. It is not clear that COVID-19 stay-at-home and social-distancing orders qualify under these provisions, and courts are also litigating the civil authority question.

Whatever the courts decide, Glasser recommends collecting all official government closure orders to help bolster a claim under civil authority provisions. ■

IN BRIEF

- The COVID-19 pandemic has created a severe economic disruption, and many businesses have already seen devastating impacts.
- While many businesses have business

interruption insurance, it's not clear that the COVID-19 crisis is going to be covered.

- CPAs can help their clients prepare for claims even if it is uncertain that they will be paid.
- CPAs should help clients track and

record coronavirus-related expenses and impacts on customers, vendors, and employees.

- CPAs will be critical in helping businesses recover losses in the wake of COVID-19.

AICPA RESOURCES

Articles

"5 Steps for Advising Clients During COVID-19 Crisis," *JofA*, April 9, 2020, tinyurl.com/srmrcxa

"Keeping Clients Informed During the COVID-19 Crisis," *JofA*, April 6, 2020, tinyurl.com/tmz5c62

"CPAs Support Business Owners During COVID-19 Crisis," *JofA*, April 3, 2020, tinyurl.com/wyx45mu

Podcasts

"How CPAs Can Fight Fraud in the COVID-19 Pandemic," *JofA*, April 6, 2020, tinyurl.com/sb4d8bj

"Tech Tips for Firms Responding to Coronavirus," *JofA*, March 13, 2020, tinyurl.com/sojfwmc

Online resources

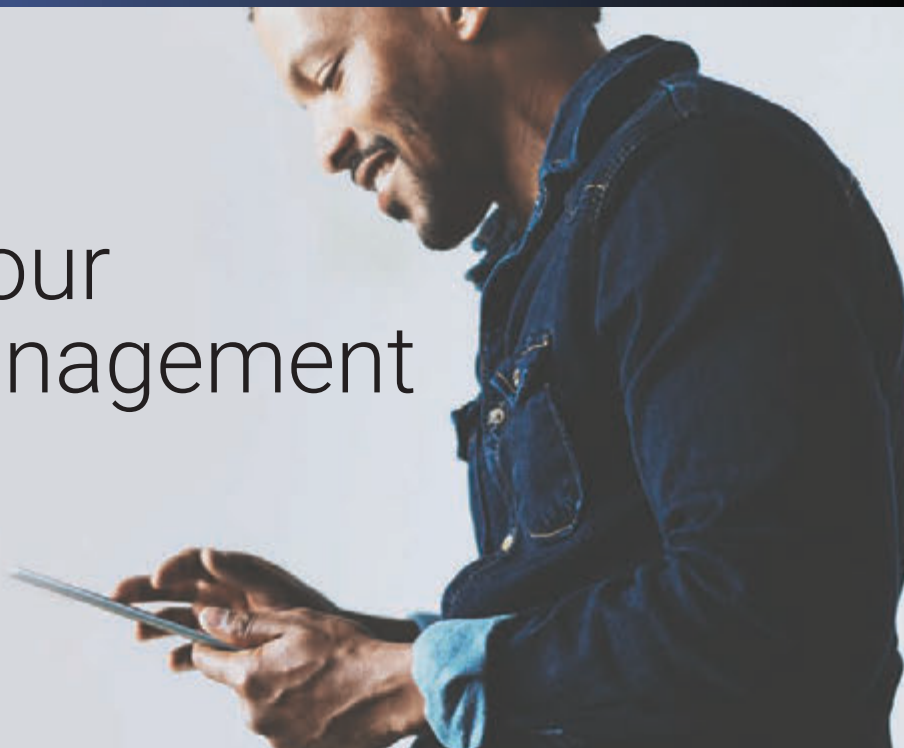
JofA coronavirus resources page, tinyurl.com/swk9wne

AICPA Coronavirus (COVID-19) Resource Center, tinyurl.com/ybdvhrdg

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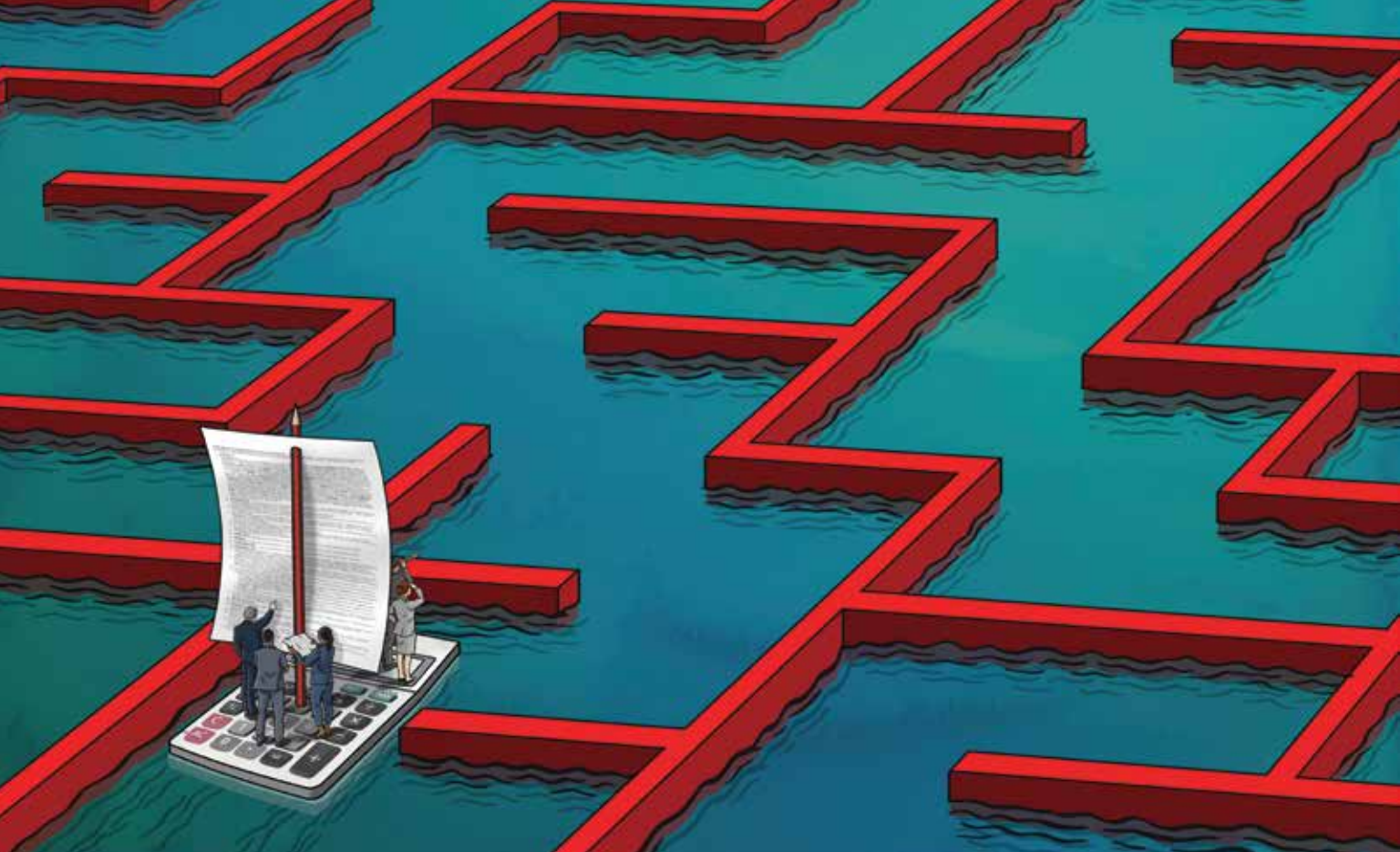


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ETHICS

Ethics quiz: Pressure to break the rules

Test your knowledge of how to properly respond to pressure from a superior or a client to break the rules of professional conduct.

By Marsha Huber, CPA, CGMA

Unfortunately, accountants and finance professionals may face pressure to break the rules from those within organizations, such as a colleague or superior, or from an external party, such as a vendor, client, or lender. These pressures might be explicit or implicit and possibly motivated by a desire to meet internal or external targets and expectations.

Paragraph .02 of the “Subordination of Judgment” interpretation (ET §1.130.020) in the

AICPA *Code of Professional Conduct* (the Code) states that the “Integrity and Objectivity Rule” [ET §1.100.001] prohibits a *member* from misrepresenting facts or subordinating his or her judgment when performing *professional services* for a *client* ... This interpretation addresses differences of opinion between a *member* and his or her supervisor or any other person in the *member’s* organization.” (Italicized words signify defined terms in the Code.)

Additional rules apply to members in business.

Paragraph .03 of the Code's "Pressure to Breach Rules" interpretation (ET §2.170.010) states that "[a] *member* should not allow pressure from others to result in a breach of the 'Integrity and Objectivity Rule' [ET §2.100.001]. A member also should not place pressure on others that the *member* knows or has reason to believe would result in other individuals' breaching the AICPA *Code of Professional Conduct*."

Find out how well you understand some of the most challenging ethical questions CPAs face today. This quiz covers scenarios in which accountants in public practice and in business have been pressured to break the rules. The scenarios were obtained from interviews conducted by accounting students with practicing accountants.

About the author

Marsha Huber, CPA, CGMA, is a professor of accounting at Youngstown State University. Her teaching interests include professionalism and ethics.

QUIZ

1. A CPA in a company finance department came across a few orders that seemed to be fabricated in order to receive a larger sales commission. She reported it to the company controller to look at it more in-depth but determined that no action was taken. Did the CPA meet her reporting obligations by reporting the problem to the controller?
 - a. Yes.
 - b. No.
2. A CPA in public practice was engaged to prepare a tax return, and his client wanted to add a child as a dependent but could not prove the child was living with him or that he provided any support. The client insisted that the child was in fact living with him and that he provided all the support. The client threatened to walk out if the member did not comply and allow him to claim the dependent. What action should the CPA take?
 - a. Get a written statement from the client supporting the deduction and allow it.
 - b. Ask the client for more evidence to support the deduction.
 - c. Ignore the client and leave the deduction off the tax return and finish the return.
 - d. Make a recommendation to the client to exclude the child as a dependent unless he can provide proof of dependency and, if the client does not agree, withdraw from the engagement.
3. The numbers were not looking good when compared to prior quarters. The CPA in the company's accounting department worked closely with the CFO and another person in the accounting department. The CFO pressured the CPA to manipulate the numbers so that the quarter looked like past quarters. The total amount did not appear to be material. What action should the CPA take?
 - a. Refuse to make the adjustment and follow company policies on how to deal with the situation.
 - b. Since the amount did not appear material, let the CFO make the adjustment.
 - c. Refuse to make the adjustment.
 - d. Since the amount did not appear material, the member can make the adjustment.
4. A CPA in public practice discovered a client left income off the tax return for the last four years. She asked the client to amend the tax return, but the client refused. The CPA:
 - a. Should withdraw from the engagement.
 - b. Should consider withdrawing from the engagement but can continue with the engagement as long as the prior omissions of income do not affect the current year's tax return.
 - c. Should report the client to the IRS.
 - d. None of the above.

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5. A CPA in a company finance department is asked by his manager to lie for him. The manager asked him to say he (the manager) prepared a particular report but the CPA lost it. The CPA is new and wants to please the manager. The CPA should:
- Leave the organization.
 - Lie for the manager since this issue is not addressed in the AICPA Code.
 - Refuse to lie because this would be a violation of the Code's "Integrity and Objectivity Rule" (ET §2.100.001) with the member misrepresenting facts.
 - Ignore the issue and avoid commenting on the situation.
-
6. A CPA was employed by a small manufacturing company. The company was expected to meet certain financial performance expectations for its loan obligations. Management hinted that the CPA should do "something" about it, but he didn't do anything about it. He was not sure if his managers changed the numbers, and he didn't want to know. What should the CPA do in this situation?
- Ignore the situation since he did not do anything wrong.
 - Consult the organization's policies and procedures on how such matters should be addressed internally.
 - Leave the company.
 - None of the above.
-
7. A CPA in a company's accounting department properly recorded accrued liabilities by debiting the expense and crediting the accrued liability. The CFO wanted her to reverse these entries to wipe out the accrued liabilities. She didn't do it, but she knew another accounts payable clerk made the reversing entries for the CFO. What is the CPA's obligation?
- Resign and not deal with the matter.
 - Determine whether any requirements exist to communicate to third parties.
 - Consult with the employing organization's internal and external auditors.
 - b and c.
-
8. An audit associate in public practice was asked to propose the entry to book a tax provision. He did not have time to do it, and the senior on the job did it for him. The senior asked him to sign off on a workpaper he did not actually prepare. The CPA should:
- Discuss the matter with a higher level of firm management.
 - Refuse to sign the workpaper.
 - Consider discussing the matter with the individual exerting the pressure.
 - All of the above.
-
9. A CPA auditor in public practice was directed by a client on how to do a "physical inventory observation." The client employees at the warehouse pressured the CPA to reselect portions of his randomly selected sample because some of his selections were in difficult-to-access areas. The CPA should:
- Comply with the client since the plea seems practicable.
 - Ask the client for supporting paperwork on difficult-to-access areas.
 - Stay with the audit sampling plan if reasonable in the circumstances.
 - Redo the sampling plan.
-

ANSWERS

1. **(b)** A CPA needs to determine that the appropriate action has been taken. If a CPA determines the appropriate action has not been taken and continues to have reason to believe information is misleading, the CPA should consider additional safeguards such as consulting with the company's internal auditor or with a relevant professional body. The CPA should also determine whether any third parties need to be contacted, including the external auditor or regulatory auditors, and legal counsel. After exhausting all feasible options, the member should refuse to be associated with the information and consider leaving the organization (see the Code's "Knowing

Misrepresentations in the Preparation and Presentation of Information" interpretation (ET §2.130.010, ¶¶.10–.11)).

2. **(b)** The CPA should ask the client for more evidence to support the deduction. If no further proof is provided by the client, then the correct answer is **(d)**, which means the CPA should recommend to the client to exclude the child as a dependent. If the client does not agree, the CPA should withdraw from the engagement (see Statement on Standards for Tax Services (SSTS) No. 3, *Certain Procedural Aspects of Preparing Returns*). ▶

3. (a) Lack of materiality should not be used as an excuse to manipulate financial reports. CPAs should not prepare or present information that is misleading under the Code's "Integrity and Objectivity Rule" (ET §2.130.010, ¶.03).

4. (b) The CPA should start with informing the client what steps she should take to correct the prior error and the impact of the error. If the client does not want to take the necessary steps to correct the prior-year error, the CPA should consider withdrawing from the engagement. The CPA should also take steps to make sure the error does not occur again and consider the impact of the error on the current-year tax return and future behavior. It is ultimately the taxpayer's responsibility to correct the error (SSTS No. 6, *Knowledge of Error: Return Preparation and Administrative Proceedings*, ¶¶4 and 5).

5. (c) A CPA should not knowingly misrepresent the facts or subordinate judgment when performing professional services. Although this is an in-house management issue, members still should abide by the rules of integrity and not lie (see the Code's "Integrity and Objectivity Rule" (ET §2.100.001) and the "Subordination of Judgment" interpretation (ET §2.130.020, ¶.03)).

6. (b) The CPA should investigate whether there is a violation. If there is a violation, the CPA might consider leaving an organization. Other steps are necessary if there is a threat. One of the first steps is to consult the employing organization's policies and procedures on how such a matter should be addressed internally (see the Code's "Knowing Misrepresentations in the Preparation and Presentation of Information" interpretation (ET §2.130.010, ¶.09)).

7. (d) If the CPA resigns, it does not preclude the CPA from disclosing the problem to relevant third parties and auditors (see the Code's "Knowing Misrepresentations in the Preparation and Presentation of Information" interpretation (ET §2.130.010, ¶¶.09–.12)). A member should determine if the organization's internal policies have additional requirements about reporting differences of opinion, determine if she has an

obligation to report to third parties, consult with legal counsel regarding her responsibilities, and document her understanding of the facts, accounting principles, auditing standards, or relevant professional standards or applicable laws or regulations and the conversations and parties with whom these matters were discussed.

8. (d) All of the above are appropriate steps. Under the Code's "Integrity and Objectivity Rule" (ET §1.100.001), all of the safeguards mentioned are appropriate. If the situation is not resolved, the matter could be escalated to higher levels of firm management, and the member could also request not to be involved with the individual exerting the pressure and can disclose the matter in accordance with the firm's whistleblowing policies (see the Code's "Subordination of Judgment" interpretation (ET §1.130.020)).

9. (c) The auditor is expected to observe physical counts if practical and reasonable. Statistical sampling is considered highly effective in determining quantities. The sampling plan must be statistically valid and not manipulated by the request of the client (see AU §331, *Inventories*, ¶¶.11–.14).

SCORING

If you answered eight or nine questions correctly, congratulations! You have a thorough understanding of some of the most challenging issues facing CPAs today.

If you answered six or seven questions correctly, you understand some of the most challenging issues facing CPAs today, and we encourage you to continue to brush up on your knowledge.

If you answered fewer than six questions correctly, we encourage you to review the rules on subordination of judgment and on pressure to breach to update your knowledge on the topic. See the rules in the AICPA *Code of Professional Conduct* at aicpa.org/newcode.

To comment on this article or to suggest an idea for another article, contact Sabine Vollmer, a JofA senior editor, at Sabine.Vollmer@aicpa-cima.com. ■

AICPA RESOURCES

Articles

"Professional Liability Spotlight: A Framework for Maintaining Ethics Compliance," *JofA*, Nov. 2019, tinyurl.com/tznqo33

"Ethics Quiz: Affiliates, Confidentiality, and More," *JofA*, May 2019, tinyurl.com/yx9y7fyo

"A New Take on Ethics and Independence," *JofA*, Dec. 2018, tinyurl.com/yaz9akr3

"Ethics for Firm Mergers and Acquisitions," *JofA*, July 2018, tinyurl.com/yd24ldr3

CPE self-study

Ethics and Professional Conduct: Updates and Practical Application (#165923, online access)

Professional Ethics: 2020 Update and Refresher (#159571, online access)

Professional Ethics: The American Institute of Certified Public Accountants' Comprehensive Course (#733943, text; #155906, online access (for licensure))

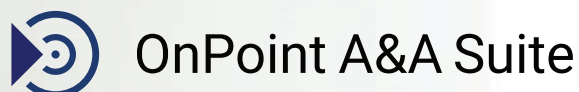
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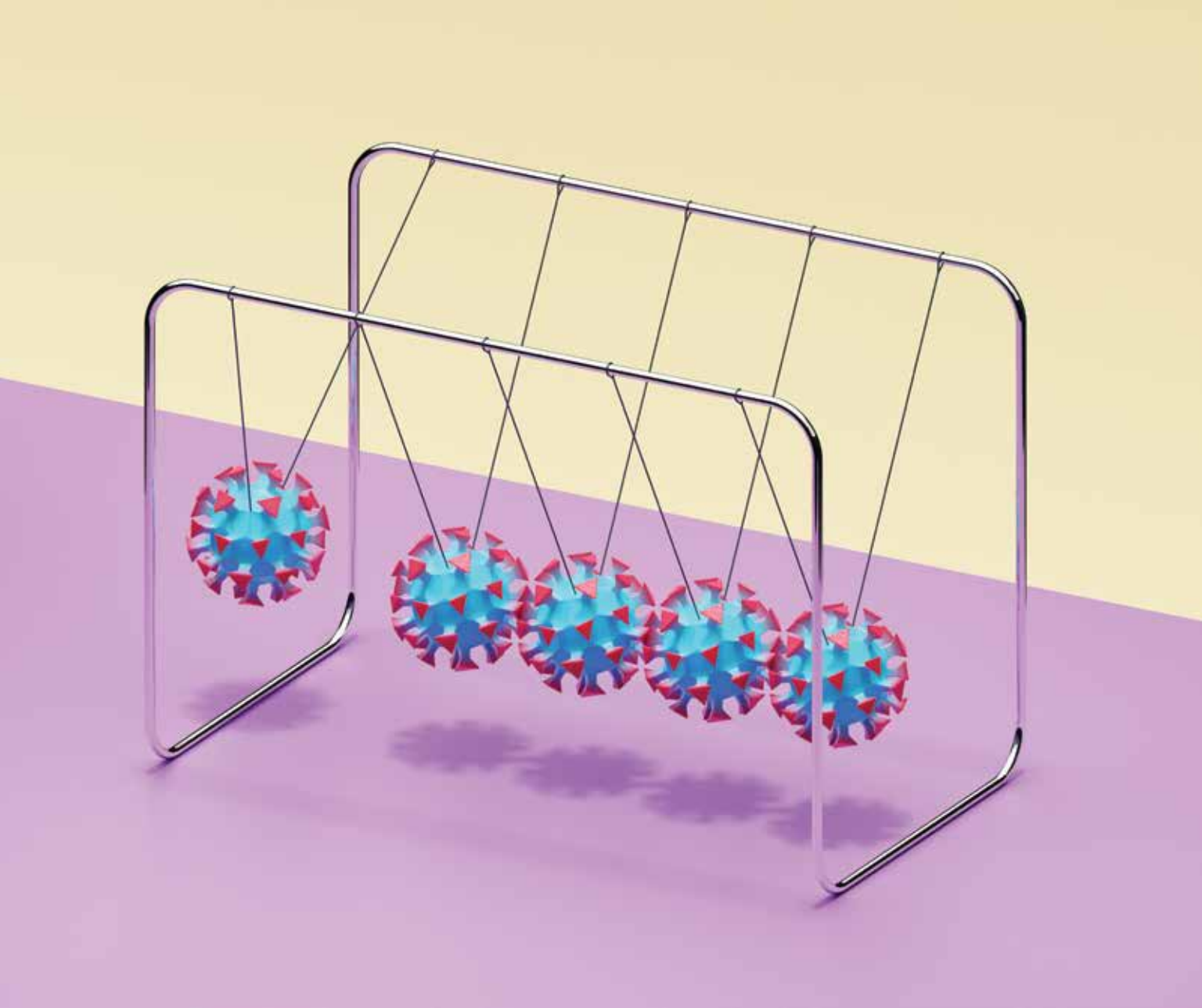
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TAX

COVID-19 tax guidance for businesses

Here's how businesses can take advantage of CARES Act tax relief measures to help with economic disruption caused by the pandemic.

By Sally P. Schreiber, J.D., and Dave Strausfeld, J.D.



The Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136, enacted March 27, included a number of tax provisions aimed at helping businesses deal with the economic fallout of the COVID-19 pandemic. These included temporary changes to the net operating loss (NOL) rules, a new business interest expense election, and the extension of 100% bonus depreciation to qualified improvement property. In April, the IRS released guidance on how businesses can make the most of these provisions. The IRS also provided procedures to allow partnerships to file amended returns for 2018 or 2019 to take advantage of CARES Act provisions.

NET OPERATING LOSSES

Under the CARES Act, taxpayers with NOLs arising in tax years beginning in 2018, 2019, and 2020 can carry them back five years. The IRS provided guidance on how taxpayers can elect to waive or reduce that carryback provision (Rev. Proc. 2020-24). The IRS also extended the deadline for filing an application for a tentative carryback adjustment under Sec. 6411 to carry back an NOL that arose in any tax year that began during calendar year 2018 and that ended on or before June 30, 2019.

Section 2303(b) of the CARES Act amended Sec. 172(b)(1) to provide for a carryback of any NOL arising in a tax year beginning after Dec. 31, 2017, and before Jan. 1, 2021, to each of the five tax years preceding the tax year in which the loss arises (carryback period) (Sec. 172(b)(1)(D)). Sec. 172(b)(3) permits a taxpayer entitled to a carryback period under Sec. 172(b)(1) to make an irrevocable election to relinquish the carryback period for an NOL for any tax year.

An election to waive a Sec. 172(b)(3) carryback for NOLs arising in tax years beginning in 2018 or 2019 must be made no later than the due date, including extensions, for filing the taxpayer's federal income tax return for the first tax year ending after March 27, 2020. A taxpayer makes the election by attaching to its federal income tax return filed for the first tax year ending after March 27, 2020, a separate statement for each of the tax years 2018 or 2019 for which the taxpayer intends to make the election. The election statement must state that the taxpayer is electing to apply Sec. 172(b)(3) under Rev. Proc. 2020-24 and the tax year for which the statement applies.

The revenue procedure also explains how taxpayers that have an inclusion in income because of Sec. 965(a) in 2018, 2019, or 2020 can elect to exclude

that year from the NOL carryback period. Those taxpayers may elect under Sec. 172(b)(1)(D)(v)(I) to exclude all Sec. 965 years from the carryback period for an NOL arising in a tax year beginning in 2018, 2019, or 2020. The election for an NOL arising in a tax year beginning in 2018 or 2019 must be made no later than the due date, including extensions, for filing the taxpayer's federal income tax return for the first tax year ending after March 27, 2020.

For an NOL arising in a tax year beginning after Dec. 31, 2019, and before Jan. 1, 2021, an election must be made by no later than the due date, including extensions, for filing the taxpayer's federal income tax return for the tax year in which the NOL arises. The election is made by attaching a statement to the return.

The revenue procedure further provides guidance regarding elections under the special rule in Section 2303(d) of the CARES Act to waive any carryback period, to reduce any carryback period, or to revoke any election made under Sec. 172(b) to waive any carryback period for a tax year that began before Jan. 1, 2018, and ended after Dec. 31, 2017.

In related guidance, Notice 2020-26 extends the deadline for filing an application for a tentative carryback adjustment under Sec. 6411 to carry back an NOL that arose in any tax year that began during calendar year 2018 and that ended on or before June 30, 2019.

Sec. 6411 allows a taxpayer to file an application for a tentative carryback adjustment of the tax liability for a prior tax year that is affected by an NOL carryback in Sec. 172(b) or by carrybacks provided for in other Code sections. Under Regs. Sec. 1.6411-1(b)(1), corporations must use Form 1139, *Corporation Application for Tentative Refund*, and taxpayers other than corporations must use Form 1045, *Application for Tentative Refund*. Sec. 6411(a) and Regs. Sec. 1.6411-1(c) both require that an application be filed within 12 months of the close of the tax year in which the NOL arose. The tentative carryback adjustment procedure allows a taxpayer to obtain a quick tentative tax refund based on an NOL carryback. The IRS conducts a limited examination of the application and makes the resulting credit or refund within 90 days of filing the application. The IRS is temporarily accepting Forms 1139 and 1045 by fax from taxpayers claiming refunds under the CARES Act.

The CARES Act did not provide additional time to file tentative carryback adjustment applications for NOLs arising in a tax year beginning on ▶

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or after Jan. 1, 2018, and ending before March 27, 2019, even though the time to file those applications had expired when it was enacted. Taxpayers with losses in these tax years that may now be carried back to an earlier tax year will generally be able to file amended returns to claim refunds or credits resulting from the change in the law. These taxpayers, however, would not be able to take advantage of the expedited Sec. 6411 tentative carryback adjustment procedure without an extension of time to file Form 1139 or Form 1045.

Therefore, the IRS is granting a six-month extension of time to file Form 1045 or Form 1139 for taxpayers that have an NOL that arose in a tax year that began during calendar year 2018 and that ended on or before June 30, 2019. This extension of time is limited to requesting a tentative refund to carry back an NOL and does not extend the time to carry back any other item.

To take advantage of this extension, taxpayers must file the form no later than 18 months after the close of the tax year in which the NOL arose (i.e., no later than June 30, 2020, for a tax year ending Dec. 31, 2018); and include on the top of the form “Notice 2020-26, Extension of Time to File Application for Tentative Carryback Adjustment.”

CORPORATE MINIMUM TAX CREDITS

The CARES Act also accelerated the recovery of corporations’ remaining minimum tax credits. The full amount of a corporation’s unused credits can be claimed in 2019. Alternatively, a corporation can elect instead to claim 100% of any remaining credit as a refund in its 2018 tax year using Form 1139 (with an extended filing date for the refund claim of Dec. 31, 2020). As noted above, the IRS is temporarily accepting Forms 1139 by fax.

RETROACTIVE 100% BONUS DEPRECIATION ON QIP

The IRS also issued procedures for how taxpayers can take advantage of the recently enacted technical correction to the rules for qualified improvement property (QIP) (Rev. Proc. 2020-25). QIP was unintentionally classified, under the law known as the Tax Cuts and Jobs Act (TCJA), P.L. 115-97, as nonresidential real property, which does not qualify for bonus depreciation. The CARES Act fixed this mistake — the so-called retail glitch — by making QIP 15-year property so it qualifies for bonus depreciation retroactively to 2017. Rev. Proc. 2020-25 explains how taxpayers can change their depreciation under Sec. 168(e) for QIP placed in service after Dec. 31, 2017, in a tax year ending in 2018, 2019, or 2020 to take advantage of the fix.

Under the revenue procedure, certain taxpayers can elect to take 100% bonus depreciation on the QIP by filing an amended return, an administrative adjustment request (AAR) under Sec. 6227, or a Form 3115, *Application for Change in Accounting Method*, to change their depreciation of QIP placed in service after Dec. 31, 2017, in the taxpayers’ 2018, 2019, or 2020 tax year.

The revenue procedure also allows a taxpayer to make a late election, or to revoke or withdraw an election, under Sec. 168(g)(7), (k)(5), (k)(7), or (k)(10) for the 2018, 2019, or 2020 tax year, for property placed in service by the taxpayer during its 2018, 2019, or 2020 tax year, for a limited period. Because of the administrative burden of filing amended returns and AARs, the IRS has determined that it is appropriate to treat the making of a late election under Sec. 168(g)(7), (k)(5), (k)(7), or (k)(10), or the revocation of the revocable election under Sec. 168(k)(5), (k)(7), or (k)(10), for property placed in service by

IN BRIEF

- The Coronavirus Aid, Relief, and Economic Security (CARES) Act included a number of tax provisions to help businesses deal with the economic fallout of the COVID-19 pandemic.
- Taxpayers with net operating losses arising in tax years beginning in 2018, 2019, and 2020 can carry them

back five years, but the IRS provided guidance on how taxpayers can elect to waive or reduce that carryback provision.

- Taxpayers can elect to take 100% bonus depreciation on qualified improvement property (QIP) for QIP placed in service after Dec. 31, 2017, in the taxpayers’ 2018, 2019, or 2020 tax year.
- Real property or farming trades or

businesses can withdraw their decision to elect out of Sec. 163(j)’s business interest expense limitation for a 2018, 2019, or 2020 tax year.

- Partnerships subject to the centralized audit provisions in the Bipartisan Budget Act of 2015 can file an amended partnership return for 2018 or 2019 to take advantage of beneficial tax provisions in the CARES Act.

taxpayers during their 2018, 2019, or 2020 tax years, as a change in method of accounting with a Sec. 481(a) adjustment for a limited period of time.

BUSINESS INTEREST EXPENSE ELECTION

Real property or farming trades or businesses can withdraw their decision to elect out of Sec. 163(j)'s business interest expense limitation for a 2018, 2019, or 2020 tax year, the IRS said in Rev. Proc. 2020-22. Those businesses can also make late interest expense elections for those years.

The guidance also addresses how businesses can make certain other interest expense elections for 2019 and 2020 under emergency relief provisions included in the CARES Act.

Real property or farming trades or businesses

One reason an electing real property or farming trade or business might wish to withdraw its election out of the business interest expense limitation involves bonus depreciation. The Sec. 163(j)(7) election comes with a trade-off, which is that an electing business must depreciate certain property more slowly using the alternative depreciation system and is not eligible for bonus depreciation.

Now that 100% bonus depreciation can extend to QIP, retroactive to the effective date of the TCJA, some businesses that made the election out of Sec. 163(j)'s interest expense limit before the passage of the CARES Act may no longer benefit from the election (which is generally irrevocable).

The IRS provided these taxpayers relief in Rev. Proc. 2020-22, under which an electing business that follows the steps outlined in the revenue procedure "will be treated as if the election was never made." The business should file an amended federal income tax return, an amended Form 1065, *U.S. Return of Partnership Income*, or an AAR, as applicable, for the tax year in which the election was made, with an election withdrawal statement. The deadline for doing so is on or before Oct. 15, 2021 (but not later than the applicable limitation period on assessment for the tax year for which the amended return is being filed), with an exception as provided in recently issued Rev. Proc. 2020-23 regarding the time to file amended Bipartisan Budget Act of 2015 (BBA), P.L. 114-74, partnership returns for 2018 and 2019 tax years.

Separately, the revenue procedure addresses how to make a late Sec. 163(j)(7) election for 2018, 2019, or 2020.

CARES Act changes to the interest limitation for 2019 and 2020

The CARES Act also retroactively loosened the interest expense limitation to help speed economic relief to businesses during the COVID-19 crisis. For tax years beginning in 2019 and 2020, Sec. 163(j) is amended to increase the adjusted taxable income (ATI) percentage from 30% to 50%. Also, taxpayers can elect to use 2019 income in place of 2020 for the computation.

Rev. Proc. 2020-22 provides the time and manner for certain taxpayers to make relevant elections:

- To not apply the 50% ATI limitation;
- To use the taxpayer's 2019 income to calculate the interest expense limitation in 2020; and
- For a partner to elect out of the 50% excess business interest expense rule.

Rev. Proc. 2020-22 is effective immediately.

PARTNERSHIP AMENDED RETURNS

The IRS also announced that it is allowing partnerships subject to the centralized audit provisions in the BBA to file an amended partnership return for 2018 or 2019 to take advantage of beneficial tax provisions in the CARES Act (Rev. Proc. 2020-23). BBA partnerships are normally prohibited from filing an amended return after they have filed Form 1065 and provided Schedules K-1, *Partner's Share of Income, Deductions, Credits, etc.*, to their partners; however, under Rev. Proc. 2020-23 they may file an amended partnership return for 2018 or 2019 to take advantage of the CARES Act provisions.

Their deadline for filing amended Forms 1065 and furnishing corresponding Schedules K-1 is Sept. 30, 2020. When filing, the BBA partnership should write "Filed pursuant to Rev. Proc. 2020-23" at the top of the amended return and attach a statement with each Schedule K-1 sent to the partners with the same notation. Although the IRS said partnerships can file by mail or electronically, filing electronically will speed the process.

Partnerships currently under IRS examination should notify the revenue agent (RA) and furnish a copy of the amended returns and Schedules K-1 to the RA. If a BBA partnership has filed an AAR for a year that it is amending, it should use the figures on the AAR when filing the amended return. ■

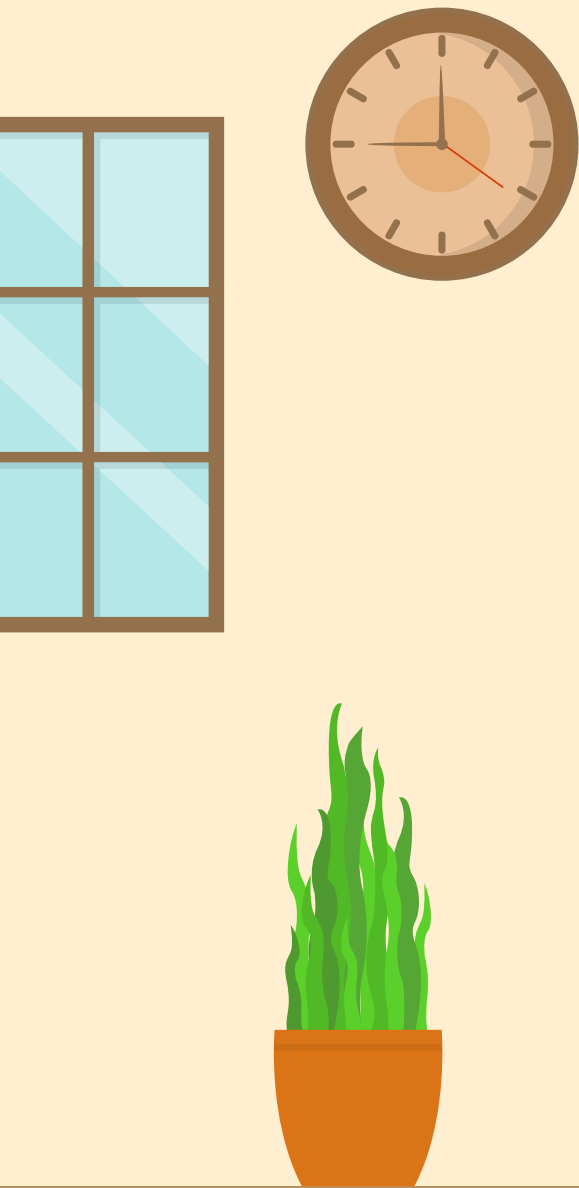


TAX

Deducting home office expenses

With many now working at home, taxpayers need to understand the rules.

By Dayna E. Roane, CPA/ABV, CGMA



With a home office, taxpayers claim a business deduction for expenses arising in a qualifying use of all or part of a residence. However, taxpayers often are uncertain about the finer points of the requirements for a home office and may be unaware of all the types of business arrangements in which they can claim a deduction, such as by owners of a partnership interest.

For a taxpayer to be eligible for a home office deduction, the dwelling unit must be one of the following:

- The principal place of business;
- A place to meet patients, clients, or customers in the normal course of business;
- A separate structure not attached to the dwelling and used in connection with the business; or
- If the dwelling is the only fixed location of the

taxpayer's business, a space within it that is used regularly to store the business's inventory or product samples (Secs. 280A(c)(1)(A) through (C) and 280A(c)(2)).

Note, however, that unreimbursed expenses attributable to the trade or business of being an employee, including those of maintaining a home office, are no longer deductible as a miscellaneous itemized deduction due to the suspension of such deductions by Sec. 67(g), for tax years 2018 through 2025, as added by the legislation known as the Tax Cuts and Jobs Act (TCJA), P.L. 115-97. This means that employees who work from home are no longer entitled to claim an itemized deduction for home office expenses, even if the employer requires the employee to maintain a home office. If clients have lost this valuable tax break, they also may wish to encourage their employer to set up an accountable plan (see "Start or Review an Accountable Plan," *JofA*, Feb. 2020, tinyurl.com/ro6btcp).

EXCLUSIVE AND REGULAR USE

In all cases, a home office must be used regularly and exclusively to conduct business. Spreading work out on the kitchen table does not qualify, even if it happens every day, because the area is not exclusively used for work. A completely isolated workspace is not necessary. The IRS allows for a "separately identifiable space"; in other words, partitions are not required (IRS Publication 587, *Business Use of Your Home*, p. 3 (2019)). A desk in a corner of a room could qualify if it is used exclusively for work. However, the IRS is strict in its interpretation of "exclusive use" of the space. Even children's toys or a television in the "exclusive use" zone is enough to disqualify the space (but for special rules pertaining to day care services, see Prop. Regs. Sec. 1.280A-2(f)).

The taxpayer must also regularly use the area of the home for business. Incidental or occasional use of an area is not regular use, and expenses related to such use are not deductible, even if the space has no other purpose. Exclusive use is not required if a residence is used as a day care facility or for storage of inventory or product samples when there is no other business location.

PRINCIPAL PLACE OF BUSINESS

"Principal place of business" is determined by facts and circumstances. To assess where the principal place of business is, if a taxpayer has multiple work locations, consider the relative importance of the activities conducted in each location, the amount of time spent there, and whether another fixed

About the author

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The key to supporting a home office deduction is to show that it is the nerve center of the business, not just a convenience.

location might compete as the principal place where work is done (Rev. Rul. 94-24; Prop. Regs. Sec. 1.280A-2(b)). Be sure to confirm basic facts, such as where sales, personal property, and payroll taxes are paid.

A home office can meet the principal-place-of-business test even if the taxpayer doesn't spend most of his or her working day there, provided it is the only place used for administrative and management activities. For instance, a plumber earns most of his or her revenue on job sites but still can have a home office where client scheduling, bookkeeping, and business oversight occur (Publication 587, p. 4, Example 1). The key to supporting a home office deduction is to show that it is the nerve center of the business, not just a convenience. (A side benefit of qualifying a home as the principal place of business is the ability to treat travel between the home and work locations as a deductible business expense.)

A PLACE TO MEET PATIENTS, CLIENTS, OR CUSTOMERS

Using part of a home as a place to meet clients allows more flexibility, and it can be deducted even if there is another principal place of business. For example, if a self-employed attorney meets clients at home two days a week but works out of another office the other three days, the home office qualifies for a deduction (Publication 587, p. 6). Use of the home to meet with patients, clients, or customers must be "substantial and integral" to the business (Prop. Regs. Sec. 1.280A-2(c)). Videoconferencing or occasional meetings are likely not enough.

A SEPARATE STRUCTURE

Deducting expenses related to a structure that is not attached but is "accessory or incident to" the home itself is the easiest standard to meet. For example, qualifying expenses of an artist's studio in a building near the home are deductible (S. Rep't No. 94-938, 94th Cong., 2d Sess., p. 148 (1976)). It is better from an expense deduction standpoint if the structure is not "appurtenant" to a home, but generally, a separate structure will be considered appurtenant and the home office restrictions will apply if it is located near the dwelling and expenses are shared for both the office and the house (*Scott*, 84 T.C. 683 (1985)).

CALCULATING THE DEDUCTION:

ACTUAL-EXPENSE METHOD

The home office deduction is computed by categorizing the direct vs. indirect business expenses of operating the home and allocating them on Form 8829, *Expenses for Business Use of Your Home*. Direct expenses can be fully deducted. For instance, ▶

IN BRIEF

■ A deduction for expenses of exclusive and regular use of a home office requires the dwelling unit to be a taxpayer's principal place of business; a place to meet clients or customers in the taxpayer's business; or a separate, unattached structure used in the business. A space within the unit can be claimed for storing business

inventory or samples if the dwelling is the business's only location.

■ For tax years after 2017 and before 2026, a home office used by an employee of a business is not deductible, since miscellaneous itemized deductions have been suspended.

■ Business expenses must be distinguished from those of personal use of the home, which can be

allocated by the relative square footage or number of rooms involved. A simplified method allows a safe harbor of \$5 per square foot of the portion of the home used for business, up to 300 square feet.

■ Partners can in some instances claim a deduction if the partnership agreement clearly states that the partner is personally responsible for the expenses without reimbursement.

To comment on this article or to suggest an idea for another article, contact Paul Bonner, a JofA senior editor, at Paul.Bonner@aicpa-cima.com or 919-402-4434.

the costs of carpeting and painting the home office room are 100% deductible. Indirect expenses are allocated pro rata between business and personal use. Any reasonable method can be used. Ratios based on square footage are most common, but the number of rooms used for business vs. personal use has been allowed as well (Prop. Regs. Sec. 1.280A-2(i)(3)). Indirect expenses include real estate taxes, mortgage interest, rent, utilities, insurance, depreciation, maintenance, and repairs.

The Sec. 164(b)(6) limitation on the deduction of state and local taxes introduced by the TCJA does not affect the amount of real estate taxes that can be deducted as part of home office expenses. As was the case before passage of the TCJA, the business use portion of the tax is calculated by multiplying the full amount of the real estate taxes by the business use percentage, and the business use portion is deductible under Sec. 280A(c). The individual portion of the real estate taxes is combined with the taxpayer's other state and local taxes to determine whether the taxpayer's individual deduction for state and local taxes is limited to \$10,000. The business portion of the real estate taxes is deductible whether the taxpayer itemizes or takes the standard deduction.

Not all indirect expenses may be included in the allocation. For instance, utilities and services not used in the business, lawn care, and the first telephone line to the house all must be excluded. An example of an excluded utility would be propane gas supplied for cooking on the kitchen range.

GROSS INCOME LIMITATION, ORDERING, AND CARRYOVER

Deductions for home office expenses are limited to the gross income generated by that business. Deductions that are limited can be carried over to the next year, where they will be subject to the same income tests. It is possible that carryover home office expenses will never be deducted if the expenses of the business continue to exceed the income.

Prop. Regs. Sec. 1.280A-2(i)(5) requires that allocated indirect expenses be allowable in a specific order:

- Tier 1: Mortgage interest and real estate taxes;
- Tier 2: Allocated expenses that would otherwise be deductible business expenses, such as repairs, maintenance, utilities, and insurance; and
- Tier 3: Depreciation.

SIMPLIFIED METHOD

Rev. Proc. 2013-13 provides a safe harbor that allows taxpayers to avoid the recordkeeping and complex calculations required by the actual-expense method. Taxpayers may use the prescribed rate of \$5 per square foot of the portion of the home used for business, up to a maximum of 300 square feet. Under the safe-harbor method, no depreciation is ▶

COVID-19

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deducted, and qualified residence interest, property taxes, and casualty losses are deductible on Schedule A, *Itemized Deductions*. There is no carryover provision under the simplified method.

A taxpayer elects to use the simplified method simply by using it on a timely filed tax return. Once the election is made, it is irrevocable for that year. However, a taxpayer can alternate methods from year to year. The choice is not considered an accounting method change, and no special statement is necessary if the election changes from one year to the next. There are some additional considerations:

- A taxpayer who has qualified business use of more than one home in the same year can use the simplified method for only one of the homes (Rev. Proc. 2013-13, §4.08(7)).
- No disallowed amounts from the previous year can be deducted.
- If the taxpayer uses the simplified method and then switches back to actual expenses, depreciation must be calculated using the appropriate optional depreciation table for the modified accelerated cost recovery system (MACRS) applicable for the property (found in IRS Publication 946, *How to Depreciate Property*), regardless of whether the taxpayer used an optional depreciation table for the property in its placed-in-service year. Additionally, while electing the simplified method has no effect on the depreciable basis of the home office, the year that the simplified method is used is counted for purposes of the MACRS recovery period (Publication 587, p. 8, and Rev. Proc. 2013-13, §4.09).

PARTNER'S HOME OFFICE DEDUCTION

Owners of partnership interests can also deduct home office expenses on their individual Form 1040, *U.S. Individual Income Tax Return*. If the expense is of the type the partner is expected to pay

without reimbursement, the partner can deduct the expense on Schedule E, *Supplemental Income and Loss*, as “unreimbursed partner expense” (UPE). Per Schedule E instructions, UPE should be reported on a separate line of the section reporting partnership loss, along with the name of the partnership, a description of the amount, and the notation “UPE.” Form 8829 can be used to determine the appropriate deduction, but the form itself does not need to be filed.

The IRS takes the position that partnership expenses are not deductible on an individual return unless the partnership agreement expressly states that the partner is required to pay the expense personally (*McLauchlan*, 558 Fed. Appx. 374 (5th Cir. 2014); see also Technical Advice Memos 9316003 and 9330004). Take care to ensure that the partnership agreement includes language that each partner or member is required to pay for home office and other partnership expenses without reimbursement. Of course, the taxpayer should also have adequate substantiation of the expenses.

Unlike the sole proprietor's home office deduction, UPE can be deducted if it exceeds the income reported through the Schedule K-1, *Partner's Share of Income, Deductions, Credits, etc.* (subject to basis limitations). UPE is deductible against both federal income tax and self-employment tax.

S CORPORATION OWNERS AND OTHER EMPLOYEES

Unreimbursed corporate expenses paid by shareholders are treated as unreimbursed “employee” business expenses. As noted earlier, under the TCJA, unreimbursed employee business expense deductions are no longer permitted. Like other employers, S corporation owners should establish an accountable plan to have the company reimburse home office allocations. ■

AICPA RESOURCES

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New conflict-of-interest guidelines for tax services

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One of the pillars of a member's responsibilities is to maintain objectivity. To do this, the member must avoid conflicts of interest. The term "conflict of interest" refers to a situation in which two or more parties have a competing interest that would make it difficult for the member to fulfill his or her duties fairly. In order to maintain the public trust and promote integrity and objectivity in the delivery of services, a member should be familiar with the conflict-of-interest standards governing the profession and understand how to address these situations when they arise.

The AICPA Tax Practice Responsibilities Committee has updated its *Guidelines for Conflicts of Interest in the Performance of Tax Services* (the Guidelines) to help members in this regard. The original Guidelines were published in May 2015 and were limited to conflicts of interest in the performance of federal tax services. The Guidelines were updated in March 2020 to expand the analysis to tax services in general.

Under the Guidelines, to determine whether an actual or potential conflict of interest exists, a member firm should adopt reasonable procedures, appropriate for the size and type of firm and its practice. Ignorance caused by a failure to institute such procedures may not excuse the member's violation of Treasury Circular 230, *Regulations Governing Practice Before the Internal Revenue Service* (31 C.F.R. Part 10), Section 10.29, "Conflicts of Interest," which generally prohibits a tax practitioner from representing a client before the IRS if the representation involves a conflict of interest. Moreover, Sections 10.33(b) and 10.36 of Circular 230 make tax leaders within a firm responsible for establishing procedures that ensure firm members comply with rules.

It seems that, at a minimum, each firm should have in place a process by which a member can determine whether services sought by a potential or current client may be considered adverse to the interests of a current or former client or whether another professional within the member's firm has a personal conflict with the proposed client or service. Larger firms will likely require more robust

and comprehensive systems to manage conflicts and independence checks. When determining whether a conflict may exist, members should be sensitive to the rules regarding the confidentiality of the taxpayer's information under Secs. 6713 and 7216 of the Internal Revenue Code and the AICPA *Code of Professional Conduct's* "Confidential Client Information Rule" (ET §1.700.001).

In some cases, an existing or potential conflict may be identified before the engagement is undertaken. In that case, the engagement should be declined unless the member believes the conflict can be properly managed and the member obtains the appropriate informed consent or waiver of each affected client.

In other cases, a conflict may arise during an engagement from unforeseeable developments, such as changes in the client's corporate or organization affiliations or a conflict between spouses for whom the practitioner has prepared a joint return. In those cases, the engagement can continue only after the member believes the conflict can be properly managed and has obtained the appropriate informed consent or waiver of all affected clients.

Most importantly, to resolve an actual or potential conflict of interest, the member must first decide whether he or she believes that he or she can perform the service competently and diligently. The member must also consider whether a reasonable and informed third party, knowing the threats and safeguards, would be expected to conclude that the member's integrity and objectivity are not compromised. If the member determines that these tests have been met, the affected clients still must be informed of the nature of the conflict and provide advance consent to having the services performed despite the actual or possible conflict of interest. Three samples of conflict waivers are included in the Guidelines.

For a detailed discussion of the issues in this area, see "Tax Practice Responsibilities: AICPA Committee Updates Its Conflict-of-Interest Advice," in the May 2020 issue of *The Tax Adviser*. — Anna Seto, CPA, and Joseph Tapajna, CPA (members of the AICPA Tax Practice Responsibilities Committee) ■



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IRS grants relief for COVID-19 disruptions on tax residency

Time rules are eased for the substantial presence test for foreign citizens in the US and the foreign earned income exclusion for US citizens abroad.

The IRS provided relief to individuals and businesses whose tax residence might be affected by cross-border travel disruptions arising from the COVID-19 crisis, such as canceled flights, border closings, or shelter-in-place orders.

The relief eases some potential consequences that a prolonged stay in a country may have on the determination of where an individual or business is subject to taxation. The relief will benefit certain foreign citizens living in the United States, U.S. nationals living abroad, and foreign businesses with activities in the United States.

The IRS announced the relief in two revenue procedures and two frequently asked questions (FAQs).

Foreign citizens in the US

In Rev. Proc. 2020-20, the IRS provided relief to affected foreign citizens living in the United States. The Service will presume that up to 60 consecutive calendar days of their U.S. presence arise from COVID-19 travel disruptions and will not count this time span for purposes of determining U.S. tax residency under the substantial presence test or whether the person qualifies for certain tax treaty

benefits with respect to income from dependent personal services performed in the United States.

Essentially, the IRS will consider the COVID-19 emergency a medical condition that prevented the individual from leaving the United States. Without this relief, some foreign citizens in the United States who are prevented from returning home by COVID-19 might be deemed resident aliens under the substantial presence test. Others might lose out on a tax treaty benefit with respect to income from dependent personal services performed in the United States because of their extended U.S. stay.

With this relief, these individuals can avoid having 60 days counted against them. The date when the 60-day period begins is chosen by each person, but it must start between Feb. 1 and April 1, 2020.

To obtain this relief, eligible individuals required to file a 2020 Form 1040-NR, *U.S. Nonresident Alien Income Tax Return*, should attach Form 8843, *Statement for Exempt Individuals and Individuals With a Medical Condition*, claiming the COVID-19 medical condition travel exception. Eligible individuals who are not required to file a 2020 Form 1040-NR do not need to file Form 8843, but they should retain all relevant records to support their reliance on this revenue procedure.

To claim an exemption from withholding on income from dependent personal services pursuant to a U.S. income tax treaty, an individual should certify that the income is exempt by providing the employer or other withholding agent a Form 8233, *Exemption From Withholding on Compensation for Independent (and Certain Dependent) Personal Services of a Nonresident Alien Individual*.

US nationals living abroad

The IRS also provided relief to certain U.S. nationals living abroad. The Service announced in Rev. Proc. 2020-27 that

days spent away from the foreign country due to the COVID-19 emergency will not prevent those individuals from qualifying for Sec. 911's exclusions from gross income of foreign earned income and housing cost amount. This relief benefits individuals who established residency or were physically present in China, Hong Kong, or Macau as of Dec. 1, 2019, and elsewhere as of Feb. 1, 2020, and reasonably expected to become a "qualified individual" for purposes of Sec. 911 in 2019 and 2020 but departed the foreign jurisdiction on or after Dec. 1, 2019, or Feb. 1, 2020, as applicable, but on or before July 15, 2020.

FAQs for foreign businesses

Finally, in an FAQ webpage (available at tinyurl.com/ycbkzus6), the IRS offered relief to some foreign businesses that have activities in the United States. In determining whether a foreign corporation, nonresident alien, or partnership in which either a partner is engaged in a U.S. trade or business or that has a U.S. permanent establishment, certain business activities in the United States will not be counted for up to 60 consecutive calendar days. However, this relief is available only if those activities were performed by one or more individuals temporarily present in the United States and would not have been performed in the United States but for COVID-19 travel disruption.

The date when the 60-day period starts is chosen by the eligible individual or entity, but it must start between Feb. 1 and April 1, 2020.

The IRS stressed the need to retain contemporaneous documentation to establish a right to this relief.

■ Rev. Procs. 2020-20 and 2020-27; webpage, "Information for Nonresident Aliens and Foreign Businesses Impacted by COVID-19 Travel Disruptions"

— By Dave Strausfeld, J.D., a JofA senior editor.

CARES fiscal reckoning

\$1.76 trillion

A preliminary estimate of the total increase in federal deficits for 2020–2030 from the Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136, including:

- \$988 billion more in mandatory outlays;
- \$443 billion less in revenues; and
- \$326 billion more in discretionary outlays from emergency supplemental appropriations.

Source: Congressional Budget Office, letter April 23, 2020, to Sen. Mike Enzi, R-Wyo., chairman of the Senate Budget Committee.

IRS explains how nonfilers can receive economic impact payments

Individuals not required to file a return can use a tool on the IRS website or file a special 2019 return.

The IRS provided procedures for taxpayers who are not otherwise required to file a federal tax return to file returns to receive economic impact payments provided under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136. Eligible individuals can receive an economic impact payment of up to \$1,200 for individuals or \$2,400 for married couples, and \$500 for each qualifying child.

Eligible individuals who wish to file a federal income tax return only to receive allowed economic impact payments may do so under a simplified procedure. These individuals are encouraged to use the “Non-Filers: Enter Payment Info Here” tool on the IRS website (available at tinyurl.com/sz9l387). The instructions for the simplified filing method contain line-by-line guidance and require, if applicable, the individual to provide information ▶

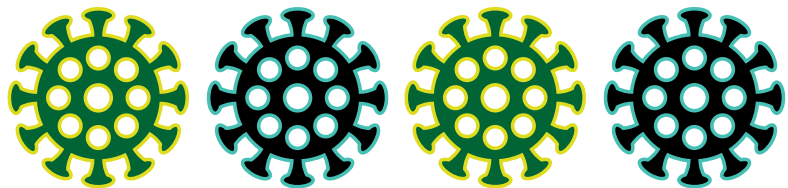
LINE ITEMS

Filing, payment postponement FAQs are updated

The IRS on April 24 updated its FAQs (available at tinyurl.com/s2wfh2u) on the 90-day postponement till July 15 of the April 15 due date for federal income tax return filing and payment of tax on 2019 returns and 2020 estimated income tax, superseding earlier FAQs. The updated FAQs incorporate expanded relief provided by Notice 2020-23, which was released on April 9. That notice amplified Notices 2020-18 and 2020-20 and expanded the range of forms, elections, deadlines, and payments subject to postponement. The latter included estimated tax payments otherwise due June 15 for the second quarter of 2020.

IRS posts employee retention credit FAQs

The IRS posted on its website a series of FAQs (available at tinyurl.com/tvkbxfk) on the employee retention credit, which is a refundable employment tax credit for employers equal to 50% of qualified wages they pay their employees after March 12, 2020, and before Jan. 1, 2021. The credit was enacted as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136. Separately on its website (visit tinyurl.com/y86lm66o) and on updated instructions for Form 941, *Employer's Quarterly Federal Tax Return*, the IRS explained how the credit, which is reported with total qualified wages on Form 941, may be claimed for the portion of the eligibility period that fell in the first quarter of 2020 (March 13–31). (The filing date for that Form 941, April 30, was not extended along with many other forms and payments due April 15.) The IRS states that the first-quarter qualified wages and credit must be reported on the second-quarter Form 941 (due by July 31, 2020).



LB&I revises compliance priorities during pandemic

The IRS Large Business and International (LB&I) Division stated in a memo (LB&I-04-0420-0009) on April 14, 2020, that as a result of the COVID-19 pandemic, it will generally not begin new return examinations before July 15, 2020; however, it may start new examinations if necessary to protect the government's interest in preserving a statute of limitation. It will continue to work refund claims without in-person contact during the period. Open examinations will continue under the division's Compliance Assurance Process and Large Corporate Compliance programs, as well as with respect to issues related to the Foreign Account Tax Compliance Act and qualified intermediaries. Work will also continue on several campaigns: syndicated conservation easements, microcaptive insurance, and Sec. 965 compliance. However, existing and any new campaigns may be assessed for possible postponement, the memo stated.

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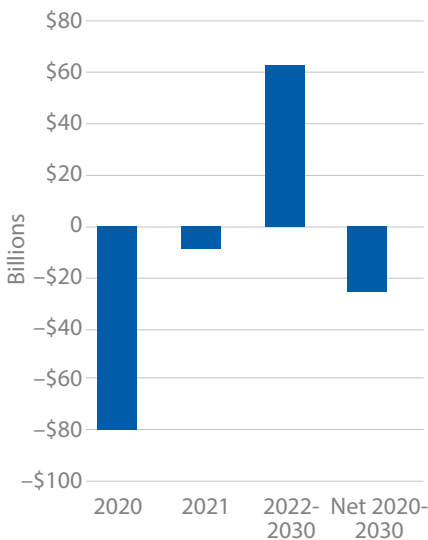
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NOL carryback revenue effects



The Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136, allows taxpayers to carry back 2018–2020 net operating losses (NOLs) five years and temporarily raises the loss limitation from 80% to 100% of taxable income, decreasing revenues by \$88.7 billion in 2020–2021 but increasing revenues in subsequent years in which NOLs are not carried forward, for a net revenue loss of \$25.5 billion.

Source: Joint Committee on Taxation, *Description of the Tax Provisions of the CARES Act* (JCX-12R-20) (April 23, 2020).

about any dependents who may qualify for the additional \$500 payment.

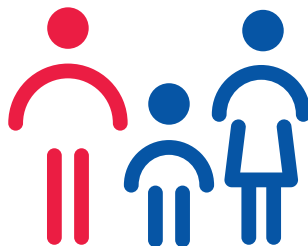
A second procedure is for taxpayers who have zero adjusted gross income (AGI) and want to file electronically to also file a state or local return, for which some tax preparation software requires a federal AGI amount. Despite having no AGI, a “zero AGI filer” for these purposes must enter \$1 amounts for taxable interest, total income, and AGI on the return.

These alternative returns under either procedure must be filed by Oct. 15, 2020, so the IRS can make the payments before the end of 2020 as required under the CARES Act. Both procedures require signatures under penalties of perjury.

Also, under either procedure, as with all recipients of an economic impact payment, an eligible individual must not be a nonresident alien or dependent of another taxpayer and must provide a Social Security number that is valid for employment (valid SSN). If the individual files a joint return, the individual must also provide the spouse’s valid SSN, unless one of the joint return filers was a member of the U.S. armed forces at any time during 2019 and at least one of the spouses provides a valid SSN. A valid SSN (or adoption taxpayer identification number) must also be provided for any qualifying child for whom the \$500 payment is claimed.

■ Rev. Proc. 2020-28

— By Sally P. Schreiber, J.D., a JofA senior editor.



IRS posts FAQs on paid COVID-19-related sick and family leave

Employer tax credits for small businesses are provided under the Families First Coronavirus Response Act.

The IRS posted FAQs (available at tinyurl.com/y8skgtuq) on the employer tax credits for paid sick and family leave enacted in the Families First Coronavirus Response Act, P.L. 116-127. Businesses with fewer than 500 employees (referred to as “eligible employers”) will obtain funds to provide employees with paid sick leave and family and medical leave for reasons related to COVID-19, either for the employee’s own health needs or to care for family members.

Under the Families First Coronavirus Response Act, workers may receive up to 80 hours of paid sick leave for their

own health needs or to care for others and up to an additional 10 weeks of paid family leave to care for a child whose school or place of care is closed or whose child care provider is unavailable due to COVID-19 precautions. The act covers the costs of the paid leave by providing small businesses with refundable tax credits. Certain self-employed individuals in similar circumstances are entitled to the same credits.

The FAQs are broken up into several sections. The first section, “General Information FAQs,” describes the credits generally in 19 Q&As. The next section, FAQs 20–24, explains how to calculate the credit for sick leave, and FAQs 25–30 explain how to calculate the family leave credit.

FAQs 31–36 describe how to calculate the allocable health care plan expenses for credit purposes. FAQs 37–43 describe how to claim the credit, including by reducing employment tax deposits. FAQs 44–59 address substantiation, how long credits are available, and special issues for employers and employees.

FAQs 60–66 describe how self-employed people claim the credits. The final question addresses paid sick leave for health care workers and first responders.

The IRS said it will continue to update the FAQs to address changes in the law or additional issues that are raised.

■ Webpage, “COVID-19-Related Tax Credits for Required Paid Leave Provided by Small and Midsize Businesses FAQs”

— By Sally P. Schreiber, J.D., a JofA senior editor.

For more news and reporting on the coronavirus and how CPAs can handle challenges related to the pandemic, visit the JofA’s coronavirus resources page (available at tinyurl.com/swk9wne). For tax-related resources, visit the AICPA’s Coronavirus (COVID-19) Tax Resources page (available at aicpa.org/covid19tax).

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WHERE TO TURN

Member Service Center

1-888-777-7077

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Fax: 1-800-362-5066

 Or chat with us on www.aicpa.org

Chat and phone service available

9 a.m.–8 p.m. ET Monday–Thursday and

9 a.m.–6 p.m. ET Friday.

Accounting Technical Information Hotline

1-877-242-7212

9 a.m.–8 p.m. ET, Monday–Friday

The hotline is available for questions about accounting, auditing, and attest implications of the pandemic. A live chat feature is also available on the [Auditing and Accounting Technical Hotline page](#) to help you with questions.

AICPA Coronavirus (COVID-19) Resource Center

The AICPA is continually monitoring the virus's impact on members, staff, exam candidates, students, and the profession. For news, tools, learning opportunities, and resources, visit the [AICPA Coronavirus \(COVID-19\) Resource Center](#), which has links to topical resource centers in areas such as:

- [Personal financial planning](#);
- [Forensic and valuation services](#);
- [Technology](#);
- [Financial Reporting Center](#) for accounting and reporting; audit and assurance; government; employee benefit plan audit quality; peer review; and other information;
- [Small firms](#); and
- [Management accounting](#).

Coronavirus tax resources

Stay current on recently enacted tax provisions and communicate the changes to your clients with new specialized resources from the AICPA Tax Section:

- [Coronavirus and Tax Impacts FAQs](#);
- [State Due Dates Chart Updated for COVID-19 Relief](#);
- [Coronavirus Individual Client Letter](#); and
- [Coronavirus Tax Snapshot for Clients](#).

Visit www.aicpa.org/interestareas/tax/covid19.html for more updates and tools, as well as a chat feature that is available 9 a.m.–5 p.m. ET, Wednesday, and 9 a.m.–1 p.m. ET, Thursday and Friday, to help you find the resources and guidance you need.

SBA Paycheck Protection Program resources for CPAs

The Paycheck Protection Program (PPP), which Congress created as part of the \$2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136, provides access to cash so that small businesses affected by the coronavirus can keep paying their employees and other expenses, such as health insurance premiums, rent or mortgage interest, and utilities. In this [resource center](#) designed for CPA firms, you'll find tools to help you educate and advise your clients on the program.

Benevolent Fund

If you are impacted by COVID-19, whether medically or by direct loss of income, there are AICPA member benefits available to help you. Learn more about the [AICPA Benevolent Fund](#), including how to apply and how to donate. ■



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