

KREKELER LAW REPORT



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HOW TO KEEP YOUR BUSINESS THROUGH A GLOBAL PANDEMIC

Businesses are shutting down. Here in Wisconsin we have an Executive Order closing all non-essential businesses.

Closed businesses do not generate sales or revenue. Without sales and revenue, fixed expenses cannot be met and Executive Orders do not alleviate fixed expenses, like rent, utilities, insurance and facilities management. Fixed expenses would also include various contract obligations, like maintenance agreements or computers, software licensing agreements and advertising contracts.

So, what can business owners do to keep their businesses as healthy as possible while the economy, and maybe even the business employees, are not helping? There are three main areas of focus.



Hang on To Cash- We have all heard the old adage “cash is king.” In times of stress and trouble, this is perhaps more true than ever. Cash needs to be reserved for absolutely essential expenses.

Delay payments wherever possible. Take a look at and utilize all grace periods that might be available to you. Consider which vendors might be willing to accept installment payments.

This is a cost/benefit analysis. Contracts that contain language that require you to pay the vendors’ costs of collection, including attorney fees, can become very expensive if that vendor elects to sue.

The same is true with respect to interest. Cash can be obtained by borrowing, but that cost of borrowing must be considered.

These costs in turn must be considered in the context of your overall strategy. We have clients who have borrowed

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Comments? Contact Charlotte at (608) 310-3404 or email cpettit@ks-lawfirm.com

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from online lenders at extremely high interest rates. Those rates will not likely matter if we end up filing bankruptcy.



This is not to say that everyone, or even anyone, should abuse available credit. It does mean, though, that you should have a strategy now that includes both your best estimate and prediction of how this situation will unfold, as well as a worst-case scenario. And maybe several possible scenarios in between. Most of our clients want us to describe and help them plan for that worst-case scenario. We try to show them how we can make their businesses survive even when everything goes wrong.

One source which should certainly be investigated, and probably applied for, is the Paycheck Protection Program (“PPP”). These federally guaranteed loans can be obtained through the SBA. If you can maintain your payroll, the loan will be forgiven. The goal is to help workers remain employed and keep small businesses intact.

These loans are available not only to employers, but also to sole proprietors, single member LLC members, and self-employed persons. We are helping a number of our clients with this loan process.

Revenue- Without sales you have no revenue, you have no business. Keeping sales up can be extremely difficult in the present COVID-19 environment. What if your business has been ordered to close? What if you are working on only a part-time basis?

The answer is to find revenue from other sources. Normally, most revenue comes from sales. But sales can be difficult to have if the government has ordered your business closed. Or if your business is severely curtailed as a result of COVID-19.

One way to increase revenue is to increase sales through innovation. We have already seen many restaurants convert to take-out and delivery service. Other businesses have to put on their thinking caps and find analogues ideas.

I have a client with a limousine business. He saw no way he could continue, but I suggested that he market the limousine as being safer from coronavirus. There is a partition, and a limousine is much larger than most Uber vehicles or taxi cabs. He could therefore market his service as likely safer than those competitors. He may be able to turn this into a competitive advantage,

even charge more for his service because of this added safety feature.

Accounts receivable can be another source of revenue. In times like this you may have to work those accounts a little harder. In times like this you may have more time to do so.

Loans, both from conventional and private lenders, might be available. All should be considered.

But the devil is often in the fine print, so be sure you know what you are agreeing to. There are lenders out there whose real purpose in extending credit is to eventually own your business.

Before borrowing or taking on any equity partners be sure your counsel has reviewed all of the terms. This should be standard practice all the time, but especially in situations like we face now. Unfortunately, there are always people willing to prey upon the plights of others.

This does not mean that we do not want those people out there making credit or money available. It just means we need to make sure we fully understand what we are getting into.

Have the Right Mindset- When times are not easy it takes a lot of determination to keep going forward. When it seems you are working for nothing it is sometimes difficult to even get out of bed in the morning. Working hard for hardly any compensation is always difficult.

The three main factors in success of the business reorganization are sales, cash and determination. Sales because you cannot have income without them. Cash is what keeps the doors open and the lights on. Determination because surviving tough times requires tough decisions and a willingness to take steps we normally would avoid.



Speaking Engagements

If you would like more information on any of these topics, David would love to discuss them over coffee and a bagel-his treat (or Zoom). Contact him at jdkrek@ks-lawfirm.com.

IRS ROLLS BACK KEY COMPLIANCE PROGRAMS AMIDST COVID-19

Contributed by: Attorney May Larosa

Due to the many uncertainties COVID-19 brings to taxpayers, the IRS has unveiled the People First Initiative on March 25, 2020. The goal of this program is to provide relief to taxpayers by easing payment guidelines and postponing compliance actions. This program will run through July 15, 2020.¹

Installment Agreements

The IRS offers installment plan options based on the total amount owed and the length of time the taxpayer can pay it back. Missed payments lead to a default and termination of the existing agreement that may escalate to more aggressive collection activities, including wage garnishment and levies on property. If you have an existing installment agreement:

- Payments are suspended between April 1 and July 15, 2020
- Installment Agreements will not be defaulted for missed payments during this period
- Taxpayers who have a Direct Debit Installment Agreement (DDIA) MUST contact their bank directly to stop payments and then contact the bank to allow payments to resume after July 15th. Additionally, taxpayers may contact the IRS Payment Services at 1-888-353-4537, but due to disruptions caused by COVID-19 it may be difficult to reach an assistor.¹

Taxpayers who are currently not in an installment agreement may still apply for one through the online portal. The People First Initiative does not waive setup fees for new payment plan applications.

Offers in Compromise

An Offer in Compromise (OIC) is an agreement between a taxpayer and the IRS that settles the taxpayer's tax liabilities for less than the full amount owed. This program requires taxpayers to be current on all past and future tax filings and noncompliance can lead to rejection or cancellation of the request. For taxpayers who submitted an application for this "fresh start" option, the People First Initiative provides the following:

- Taxpayers have until July 15 to provide requested additional information to support a pending OIC application.
 - OIC requests will not be closed prior to July 15 for nonresponse without the taxpayer's consent
- Delinquent tax returns will not result in a default status of the OIC; however, 2018 and 2019 tax returns MUST be filed on or before July 15.

- Payments for existing OIC requests are suspended until July 15, 2020.

The IRS will continue to accept new OIC applications during this time.

Other Collection Activities: Liens, Levies, Passport Restrictions

The IRS collection activities include automated liens and levies, as well as those initiated by field revenue officers. Furthermore, taxpayers who are "seriously delinquent" are certified to the Department of State that prevents them from receiving or renewing their passports. The People First initiative provides the following temporary relief:

- Automated liens and levies will be suspended during this period
- Liens and levies initiated by field revenue officers will be suspended
- Passport certifications to the Department of State will be suspended
- Delinquent accounts will not be forwarded to private collection agencies
- No new field, office, and correspondence examinations will be started

Limitations of this Initiative

The IRS continues to urge taxpayers to respond to requests and continue payments when possible. There are some important limitations to this program:

- It does not toll the statute of limitations on collections; therefore, the IRS will continue to take necessary actions to protect government interest in preserving the applicable statute of limitations.
- Collection activities will continue for high-income non-filers
- Cases that are handled by the Office of Appeals will continue so taxpayers who received correspondence requests from the Appeals office are still encouraged to promptly respond
- Interest will continue to accrue on any unpaid balances
- Earned Income Tax Credit wage verification reviews will not be expedited, so refunds due to this refundable credit will continue to face delays

Important Reminders

It's important to remember the relief offered by this program is temporary. When July 15th arrives, do not be caught off guard when collection activities resume. Consider filing delinquent returns and tax planning during this time.

Lastly, be aware of tax scams that will use this pandemic to take advantage of people. The IRS will never call asking for personal or financial information.

WHERE'S KREKELER?

EMBRACING THE CHANGES AND WORKING FROM HOME



We had our first all staff meeting over Zoom this month. As the country continues to practice social distancing, we have made extra efforts to stay connected not only with each other, but also with our clients by offering virtual meetings.

Most of our attorneys and paralegals are assisting you from the safety of their home offices, while some of us are still able to maintain a physical presence in office to best help our clients.



NEW ADDITION TO THE FAMILY!

In lighter news, **The Krekeler's** welcomed another member into their family this month with the birth of their second granddaughter, Aria. She arrived early weighing in at only 5 pounds. David is thrilled to have another little girl to spoil along with her big sister, Elia.

VIRTUAL TOWN HALL



David Krekeler was asked to moderate the Wisconsin State Bar's first Virtual Town Hall last month. He and a group of peers involved in the Wisconsin Solo and Small Firm board led a discussion that allowed attorneys across the state to openly communicate their strategies regarding the "Safer At Home" order given by Governor Evers.

They discussed the best tech to use for client meetings, remote office work for associates who have the capabilities, and if law offices would make the list of Essential Businesses. As you may have guessed, they did.

He was also a presenter for the Wisconsin State Bar's Virtual Town Hall on COVID-19 Financial Relief for Law Firms. He and a group of peers dove into the intricacies of the PPP (Paycheck Protection Program) and how it can not only benefit small firms, but how it can be used to help our clients.

Contact us for information on how your business can get PPP money, or apply for an Economic Injury Disaster Loan.



Have a question? Idea for a future article?

If you ask for it – we will write it!

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