



CPAs & Consultants | Wealth Management

Protecting Your Business in Times of Crisis

COVID-19 Relief Provisions

April 3, 2020

AGENDA

- Small Business Administration (SBA) Loan Programs
 - Paycheck Protection Program (PPP)
 - Economic Disaster Loan Program (EIDL)
- FFCRA & CARES Act
 - Paid Leave Provisions
 - Employee Retention Credits
 - Delay of Payment of Employer Payroll Taxes
- Unemployment Resources
- CARES Act Income Tax Provisions

FFCRA – Families First Coronavirus Response Act

CARES Act – Coronavirus Aid, Relief, and Economic Security Act



SBA Loan Programs

SBA Loan Programs

Paycheck Protection Program (PPP)

- <https://www.sba.gov/funding-programs/loans/paycheck-protection-program>
- Business Interruption Loans
- Must be originated by your local banker
- Covered periods: February 15, 2020 – June 30, 2020
- Maximum loan amount, lesser of:
 - \$10 million
 - 2.5 times monthly payroll cost
 - 1-year period before date of loan
 - Excludes compensation over \$100,000 per year

SBA Loan Programs

Paycheck Protection Program (PPP)

- Payroll costs:
 - Gross wages (salary, wage, vacation sick)
 - Exclude wages over \$100,000 annually to any individual EE
 - Group health insurance
 - Retirement plan contributions
 - State/local taxes on EE compensation (ie SUTA)

SBA Loan Programs

Paycheck Protection Program (PPP)

- Interest rate not to exceed 4%
 - 1.0% rate announced 4/2/20
- Up to 10 year loan term
 - After forgiveness, 24 month term announced 4/1/20
 - 6 month payment deferral
 - No prepayment penalties
- Loan proceeds can be used for:
 - Payroll
 - Rent
 - Utilities
 - Mortgage payments
 - Other debt obligations

SBA Loan Programs

Paycheck Protection Program (PPP)

- Potential loan forgiveness
 - Portion of loan may be forgiven based on maintaining a certain portion of payroll
 - Sum of the following during 8-week period starting on date of loan origination:
 - Payroll costs
 - Interest
 - Rent
 - Utilities

SBA Loan Programs

Paycheck Protection Program (PPP)

- Potential loan forgiveness (*continued*)
 - Less reduction attributable to:
 - Proportional reduction in employees retained compared to prior year period
 - Reduction in pay of any employee beyond 25% of prior year compensation
 - Reductions can be avoided if you rehire or increase pay within an allotted time period (June 30)
 - SBA is now stating that due to subscription, 75% of forgiveness must be for payroll.

SBA Loan Programs

Paycheck Protection Program (PPP)

- Information to provide
 - Loan application (updated last night)
 - Calculation of average monthly payroll costs
 - Certification to include:
 - Uncertainty of current economic conditions
 - Funds to be used for qualifying purposes
 - No duplicative with other SBA or other funding

SBA Loan Programs

Economic Injury Disaster Loan Program (EIDL)

- Direct application to SBA - <https://covid19relief.sba.gov/#/>
- SBA EIDL information - <https://www.sba.gov/page/disaster-loan-applications>
- \$2 million maximum loan amount
- Term up to 30 years
- 3.75% business interest rate
- SBA expecting 21-31 days to review application

SBA Loan Programs

Economic Injury Disaster Loan Program (EIDL)

- **\$10,000 Economic Injury Grant**
 - Requested during EIDL application process
 - Advance does not need to be repaid
 - May be used for payroll, supply chain disruptions, business obligations, rents, mortgage payments

SBA Loan Programs

Economic Injury Disaster Loan Program (EIDL)

- **\$10,000 Economic Injury Grant**
 - Initial application information is very basic
 - Basic business information
 - Entity EIN, type
 - Gross revenues (Feb-19 to Jan-20)
 - Cost of good sold (Feb-19 to Jan-20)
 - Business activity (industry)
 - Number of employees

SBA Loan Programs

Economic Injury Disaster Loan Program (EIDL)

- **\$10,000 Economic Injury Grant**
 - Initial application information is very basic (*continued*)
 - Business owner information
 - Name, address, EIN/SSN
 - Where would you like your \$10,000 'advance' paid to?
 - Bank name, account, routing number
 - Additional information will likely be required once the application is processed
 - Similar information as PPP information gathering

SBA Loan Programs

PPP and EIDL Comparison

Paycheck Protection Program

- Eligible for forgiveness
- Max loan amount: \$10 Million
- Max term: 2 years
- Interest rate: 1.0%
- Payments deferred 6 months to 1 year, interest accrues
- Obtained through bank and approved lenders
- No collateral or personal guarantee required
- <https://www.sba.gov/funding-programs/loans/paycheck-protection-program>

EIDL

- \$10,000 Emergency EIDL Grant does not need to be paid back
 - Reduces the amount of forgiveness under the PPP
- Max loan amount: \$2 Million
- Max term: 30 years
- Interest rate for small businesses: 3.75%
- Payments deferred 1 year, interest accrues
- Obtained directly from SBA
- No personal guarantee for loans less than \$200,000
- <https://covid19relief.sba.gov/#/>



Unemployment Resources

Unemployment Resources

Expanded Eligibility related to COVID-19

- Self-employed and independent contractors
- Additional \$600 per week over normal benefits
- 39 weeks

Nebraska Department of Labor (DOL) Resources Page

<https://dol.nebraska.gov/PressRelease/Details/141>

Short-Term Compensation (STC) Program

<https://dol.nebraska.gov/stc>



FFCRA & CARES Act

Paid Leave Provisions, Employee Retention Credits, and Delay of Payroll Taxes

FFCRA & CARES Act

Paid Leave Provisions

Effective April 1, 2020 to December 31, 2020

- Covered Employers:
 - Certain public employers, and private employers including tax-exempt organizations with fewer than 500 employees.
 - Most Federal government employees covered under Title II of FMLA.
 - Small businesses with fewer than 50 employees may qualify for exemption due to school closing or child care unavailability if leave requirements would jeopardize the viability of the business as a going concern.
 - Possible exclusions for “health care provider” or an “emergency responder”
 - A closure of the workplace cancels the paid leave requirements.
- Employers receive 100% reimbursement for required paid leave.
 - Payments not subject to ER Social Security tax. Can claim credit for ER Medicare tax.
 - Prorated health insurance costs also eligible for credit.
 - Reimbursement to come in the form of dollar-for-dollar offset against Form 941 deposits or by submitting a streamlined advance Form 7200 to the IRS.

FFCRA & CARES Act

Paid Leave Provisions

Effective April 1, 2020 to December 31, 2020

- Paid sick leave:
 - Up to 80 hours at regular rate if quarantined and/or experiencing symptoms and seeking a medical diagnosis
 - Up to 80 hours at 2/3 regular rate if caring for an individual quarantined or to care for a child under 18 whose school or child care provider is closed
- Paid expanded family and medical leave:
 - Up to an additional 10 weeks at 2/3 regular rate if unable to work due to need for leave to care for a child whose school or child care provider closed
 - Employee longevity requirements exist
- Part-time employees are entitled to leave at their average number of work hours in a two-week period.

FFCRA & CARES Act

Paid Leave Provisions – Calculations of Pay

- Leave reasons:
 - 1) Subject to Federal, State, or local quarantine or isolation order related to COVID-19;
 - 2) Advised by a health care provider to self-quarantine related to COVID-19;
 - 3) Experiencing COVID-19 symptoms and seeking a medical diagnosis;
 - 4) Caring for an individual subject to an order described in 1) or self-quarantined as described in 2);
 - 5) Caring for a child whose school or place of care is closed or unavailable for reasons related to COVID-19; or
 - 6) Experiencing any other substantially-similar condition specified by the Secretary of Health and Human Services, in consultation with the Secretaries of Labor and Treasury.
- Pay Calculation
 - For reasons 1), 2), or 3): employer not required to pay more than \$511 per day and \$5,110 in the aggregate (over a 2-week period).
 - For reasons 4) or 6): employer not required to pay more than \$200 per day and \$2,000 in the aggregate (over a 2-week period).
 - For reason 5): employer not required to pay more than \$200 per day and \$12,000 in the aggregate (over a 12-week period).

Paid Leave Resources

Department of Labor (DOL) Resources Page

<https://www.dol.gov/agencies/whd/pandemic>

Internal Revenue Service (IRS) FAQs

<https://www.irs.gov/newsroom/covid-19-related-tax-credits-for-required-paid-leave-provided-by-small-and-midsize-businesses-faqs>

CARES Act

Employee Retention Credits

- Refundable payroll tax credit for 50% of qualified wages paid by eligible employers to certain employees.
- Provides incentive to keep employees on payroll even if forced to close or suspend business.
 - Employers receiving a PPP loan are NOT eligible for these credits.

CARES Act

Employee Retention Credits

- Employers are eligible if:
 - Business was carried on during 2020 AND
 - Business operations have been fully or partially suspended during any calendar quarter as a result of a COVID-19 government order, or
 - The business remained open, but experienced a greater than 50% reduction in quarterly receipts as compared to the same quarter in 2019.
 - Self-employed individuals are not eligible for this credit for self-employment services or earnings.

CARES Act

Employee Retention Credits

- The credit applies to wages paid after March 12, 2020 and before January 1, 2021.
- The credit for 50% of qualified wages is claimed against the employer's 6.2% share of Social Security payroll taxes for each calendar quarter for which the employer is eligible and qualified wages are paid. If the credit exceeds the business's liability, employers can retain federal employment taxes, including withheld taxes or request an advance of the credit from the IRS.

CARES Act

Employee Retention Credits

- Qualified wages:
 - For employers who had an average number of FT employees in 2019 of 100 or fewer, all employee wages are eligible.
 - For employers who had a larger average number of FT employees in 2019, only the wages of employees who are furloughed or face reduced hours are eligible for the credits.
 - Qualified wages include “qualified health plan expenses” to the extent the amounts are excluded from gross income of the employees.
 - Qualified wages are capped at \$10,000 for each employee for ALL quarters.

CARES Act

Employee Retention Credits

- The credit is not available:
 - For wages to an employee for any period for which the employer is allowed a Work Opportunity Credit with respect to the employee,
 - For wages taken into account for the employer credit for paid family and medical leave (IRC Section 45S), or
 - For wages taken into account for purposes of the payroll credits for required paid leave under FFCRA.

Employee Retention Credits Resources

Internal Revenue Service (IRS) FAQs

<https://www.irs.gov/newsroom/faqs-employee-retention-credit-under-the-cares-act>

CARES Act

Delay of Payment of Employer Payroll Taxes

- Allows employers to defer paying the employer's 6.2% share of Social Security taxes due from date of enactment of the Act through the end of 2020.
- Self-employed taxpayers can defer 50% of their self-employment tax.
- Any amounts deferred will be payable 50% by December 31, 2021 and 50% by December 31, 2022.
- Applies to any remaining amounts due after applying the previously discussed credits.
- Businesses receiving a PPP loan with forgiveness are NOT eligible for this deferral.



CARES Act Income Tax Provisions

CARES Act Income Tax Provisions

Retirement Plan Early Withdrawal Relief

- Up to \$100,000 COVID-related distribution
 - No 10% penalty
 - Option to include as income over 3 years
 - Ability to repay the distribution within 3 years to avoid income tax

CARES Act Income Tax Provisions

Charitable Contributions

- \$300 above the line deduction for non-itemizers
- 100% AGI limit for itemizers (up from 60%)
 - Excess over 60% cannot be to donor advised funds
- 25% taxable income limit for Corporations (up from 10%)

CARES Act Income Tax Provisions

Net Operating Losses (NOL)

- Post 2017 generally allows only carryforward of NOLs
- CARES Act allows losses from 2018, 2019, 2020 to be carried back 5 years
 - Taxable income limitation increased from 80% to 100% offset

CARES Act Income Tax Provisions

Qualified Improvement Property

- Nonstructural interior improvements
- ‘Fixed’ to be treated as a 15 year asset (instead of 39)
- Qualifies for 100% bonus depreciation
- Applies retroactively to tax years 2018 and later
 - Potential refund opportunity to amend prior year(s)

CARES Act Income Tax Provisions

Individual Recovery Rebate/Credit

- \$1,200 (\$2,400 married)
- \$500 each qualifying child (under age 17)
- Phases out beginning at \$150,000 joint filing (\$75,000 single)
- IRS to use 2019 or 2018 income tax data
 - Reconciled on 2020 tax return (but do not have to pay back)
- IRS site pending to update address or direct deposit info

QUESTIONS





Contact Information

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