

2020 CARES Act - Everything an Employer Needs to Know (I think)

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Agenda

- Intro
 - What has happened so far? What is to come?
- 2020 CARES Act
 - Paycheck Protection Program
 - Small Business Debt Relief Program
 - Economic Injury Disaster Loans & Emergency Economic Injury Grants
 - Small Business Tax Provisions
 - Impact on Retirement Plans
- New Developments with FFCRA and What You Can Expect from Checkmate
- Q&A

Agenda

- Next Webinar – Friday 4/3 at 12pm:
 - Update on CARES Act and Checkmate’s loan application process.
 - Update on new time off categories and earnings codes to be used for FFCRA compliance.
 - Update on how Checkmate will be handling the processing of the FFCRA tax credits.
 - Update on how Checkmate will be handling the processing of ER taxes for employers who choose to defer to 2021/2022.
 - Guidance and Resources for Preventing Coronavirus in the workplace.
 - Register here:
https://zoom.us/webinar/register/WN_enb6mC0OS3-EKM7pRWw4og

Intro – What Has Happened So Far...and What is to Come?

- Families First Coronavirus Response Act and its impact on employers
- Emergency expansion of unemployment benefits at the state level/federal level. Millions applying for benefits
- Forced Closures of Many Businesses via State Mandate
- Voluntary Closures of Many Businesses
- School and Daycare Closures Causing Inability for Employees to Perform Essential Duties
- New Government Mandates Imposing Burdens on Employers Just As Employers are in Survival Mode
- New lending/loan forgiveness programs and tax deferment options



Coronavirus Aid, Relief, & Economic Security (CARES) Act

- **Paycheck Protection Program**

- Provides loans of up to 2.5x average monthly payroll cost
- Federally guaranteed. No personal guarantee or collateral required.
- What is considered in determining payroll cost?
 - Compensation (Salary, wage, commission, etc.)
 - Payment for Vacation, Parental, Family, Medical or Sick Leave
 - Allowance for dismissal or separation
 - Payment required for provisions of group health care benefits including insurance premiums
 - Payment of any retirement benefit
 - Payment of State or local tax assessed on compensation of employees

Coronavirus Aid, Relief, & Economic Security (CARES) Act

- **Paycheck Protection Program**

- What Costs are Not Eligible for Payroll?

- Employee/owner compensation over \$100,000
 - SS/Medicare/Withheld Income Taxes
 - Compensation to employees whose principal place of residence is outside of the U.S.

- Average monthly payroll cost = total applicable payroll costs from 4/1/19 through 3/31/20, divided by 12*

- For any employees earning more than \$100,000 in this timeframe, you can only include the first \$100,000 of their compensation in this calculation

*This is currently open for debate. Some are saying that the period is calendar year 2019



Coronavirus Aid, Relief, & Economic Security (CARES) Act

- **Paycheck Protection Program**

- For seasonal businesses, average monthly payroll cost is determined using 2/15/19-6/30/19 timeframe
- Loan money must be used by 6/30/20
- Minimum of 6 months/maximum of 12 months of loan payment deferrals (if loan needs to be paid back)
- Loan forgiveness as long as employment/salary levels maintained at 75%
- Eligible to small businesses and 501(c)3 nonprofits (fewer than 500 employees) that were in business since 2/15/20

Coronavirus Aid, Relief, & Economic Security (CARES) Act

- **Paycheck Protection Program**

- What Can Loan proceeds be used for?

- Payroll costs (as noted above)
 - Costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums
 - Employee salaries, commissions, or similar compensations (see exclusions above)
 - Payments of interest on any mortgage obligation (which shall not include any prepayment of or payment of principal on a mortgage obligation)
 - Rent (including rent under a lease agreement)
 - Utilities
 - Interest on any other debt obligations that were incurred before the covered period



Coronavirus Aid, Relief, & Economic Security (CARES) Act

- **Paycheck Protection Program – Loan Forgiveness**

- The forgiven amount will be equal to the amount actually paid for payroll costs, salaries, benefits, rent, utilities and mortgage interest during the eight weeks following disbursement of the loan. Additional wages paid to tipped employees under Section 3(m)(2)(A) of the Fair Labor Standard Acts may also be forgiven.
- The forgiveness amount is subject to reduction if there is a workforce reduction or a reduction in the salary or wages of an employee.

Coronavirus Aid, Relief, & Economic Security (CARES) Act

- **Paycheck Protection Program – Loan Forgiveness**

- The amount attributable to a workforce reduction will be equal to the initial forgiven amount multiplied by the quotient of average FTEs during the eight-week period divided by the average FTEs for the period from February 15, 2019 through June 30, 2019 or January 1, 2020 through February 29, 2020, as determined by the recipient
- The amount attributable to a salary or wage reduction will be the amount of any salary or wage decrease in excess of 25 percent of the total salary or wages during the most recent full quarter such employee was employed before the eight-week period. Only employees who did not receive, during any single pay period during 2019, wages or salary at an annualized rate of pay in excess of \$100,000 are included in this calculation.



Coronavirus Aid, Relief, & Economic Security (CARES) Act

- **Paycheck Protection Program – Loan Forgiveness**

- Reductions in workforce, salaries and wages that occur from February 15, 2020 to April 26, 2020 will be disregarded for purposes of reducing the forgiveness amount so long as the reductions are eliminated by June 30, 2020.
- Borrowers must apply for forgiveness with the lender servicing the loan. Lenders have 60 days to review and make a determination. Any portion of the loan that is forgiven will be excluded from gross income.

Coronavirus Aid, Relief, & Economic Security (CARES) Act

- **Paycheck Protection Program – What Can You Do Now?**
 - Contact your banker
 - Prepare a current personal financial statement, and have copies of your previous years corporate tax returns
 - Complete the PPP Application
 - <https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Application-3-30-2020-v3.pdf>
 - Prepare a report to back up your average monthly payroll cost calculation

(CARES) Act

- Economic Injury Disaster Loans & Emergency Economic Injury Grants
 - In response to the Coronavirus (COVID-19) pandemic, small business owners in all U.S. states, Washington D.C., and territories are eligible to apply for an Economic Injury Disaster Loan advance of up to \$10,000.
 - Apply online here: <https://covid19relief.sba.gov/#/>
 - The SBA's Economic Injury Disaster Loan program provides small businesses with working capital loans of up to \$2 million that can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing.

CARES Act - Impact on Retirement Plans

For qualified retirement plans such as 401(k) and 403(b) Plans, the CARES Act Provides for a special “coronavirus-related distribution” which is exempt from the 10% early withdrawal penalty, can be repaid over a three-year period without regard to the typical plan contribution limits and is includable in taxable income over a three-year period to the extent not repaid. Such distributions generally may not exceed \$100,000 in total for an individual.

CARES Act - Impact on Retirement Plans

- **Participant Loans**

- For Plans that allow for loans, the CARES Act expands certain restrictions for “qualified individuals” (see below), including:
 - Providing a temporary increase on the plan loan limit to the lesser of a) 100% of a participant’s vested account balance or b) \$100,000 for loans made during the 180-day period following enactment of the CARES Act.
 - Delaying for an additional year any plan loan repayment that comes due during the period from enactment of the CARES Act and ending on Dec. 31, 2020. Any subsequent repayments must be adjusted to reflect the delay in due date and any accrued interest.

Coronavirus Aid, Relief, & Economic Security (CARES) Act

- **Additional Resources**

- US Treasury

- <https://home.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses>

- Small Business Administration

- <https://www.sba.gov/funding-programs/disaster-assistance>



Questions?



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