



## **Congress & the President Rush to Help Americans**

The COVID-19 crisis has led to quick legislative response. One can criticize the details, where the devil always lies in wait, but presidential encouragement, Senate leadership and House support have resulted in aid packages that have blown through the legislature to the President's desk in short order.

As the world's people, economies, stock markets and governments work to overcome the impacts of COVID-19, the U.S. has provided businesses with an opportunity to catch a few breaths. The Coronavirus Aid, Relief and Economic Security Act (CARES Act) and the Emergency Family and Medical Leave Expansion Act (EFMLA) are stimulus programs designed to help Americans and businesses due to the economic hardships caused by the pandemic.

The following are highlights of key provisions designed to help small businesses:

### **I. CARES Act: Coronavirus Aid, Relief and Economic Security Act: Signed March 27, 2020**

Small business is defined as businesses with 500 employees or less.

- 1. SBA Payroll Protection Loan:** Designed for those affected by staffing, or the impact on their customers, the small business loans offered through the Small Business Administration (SBA) **allows small businesses to borrow money for:**
  - Payroll costs – not to exceed \$100,000
  - Rent payments
  - Utility payments
  - Contributions to Group Health Care Coverage and
  - Interest on debt

Maximum amount of loan is average monthly payroll for the previous year (before COVID-19) X2.5, up to \$10 million.

Loans will have a 10-year maturity with an interest rate of 4% or lower per year. The Act provides loan forgiveness equal to the amount spent in the eight-week period following loan origination date. The amount forgiven cannot exceed the principal amount and will be reduced proportionally by any reduction in the number of employees retained compared to the prior year. The proportional reduction also applies to reductions in pay of any employee where the pay reduction exceeds 25% of the employee's prior year compensation. A borrower is not penalized by a reduction in the amount forgiven for termination of an employee between February 15, 2020 and April 26, 2020, if the employee is rehired by June 30, 2020.

Loans are available through SBA certified lenders. Contact your primary relationship manager at your bank/financial institution for full details. Deadline to apply is June 30, 2020.

*Please consult your tax adviser and SBA lender for details of this plan.*

***By taking the payroll protection loan, the employer is limited under the Employee Retention Credit and the Payroll Tax Deferral.***



**2. Employee Retention Tax Credit: (Not available if you participate in the Payroll Protection Loan Program).**

Employer is eligible for a new refundable payroll tax credit on wages paid between March 13, 2020 and December 31, 2020, equal to 50% of up to \$10,000 of the qualified wages paid per employee, a credit of up to \$5,000 per employee.

**3. Payroll Tax Deferral: (Not available if you receive Loan Forgiveness under the Payroll Protection Loan Program). Designed to increase cash flow, the Act allows businesses to defer payroll taxes.**

For wages paid after March 12, 2020, employers can defer payment of their portion of Social Security taxes with half being repaid by December 31, 2021 and half by December 31, 2022.

**II. Family and Medical Leave Act Bills: Signed March 18, 2020**

**1. Emergency Family and Medical Leave Expansion Act (EFMLA): Effective April 1, 2020**

- Revises that FMLA coverage to all employers with 500 employees or less are subject to the requirements during this temporary period between April 2, 2020 and December 31, 2020. Previously, only employers with 50 or more employees were subject to FMLA.
- Employee may take up to 12 weeks of job protected leave to allow an employee, who is unable to work or telework, to care for the employee's child if the child's school or place of care is closed due to the public health emergency.
- The first 10 days of EFMLA is unpaid. Employee may use sick and vacation time.
- After a 10-day period, the employer generally must pay full-time employees at 2/3 of the employee's regular rate for the number of hours employee is normally scheduled, up to \$200 per day and \$10,000 in aggregate.
- Employers with more than 25 employees will have the same obligation as under traditional FMLA for return to same or equivalent position

**2. Emergency Paid Sick Leave Act: Effective April 1, 2020**

- Act provides paid sick leave related to COVID-19 illness, health care provider advised self-quarantine or caring for an individual subject to self-quarantine advised by health care provider.
- Cap on Paid Sick Leave Wages – up to \$511 per day, up to \$5,110 total per employee, or \$200 per day up to \$2,000 for care of others.

**Please consult your tax adviser for details regarding how these provisions impact your business, families and clients.**

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