

Welcome to today's webinar

The event will start shortly



Dominion Payroll™
Empowering Your Business

Legislative Update: CARES Act and FFCRA

April 3, 2020



Dominion Payroll™
Empowering Your Business

Legal Disclaimer

This training is intended for educational and informational purposes.

While we hope that you will learn a lot today, we are not attorneys, and the information should not be construed as legal advice.



“CARES” Act: Small Business Impact

- The Spirit of the Law
 - Companies with 500 or fewer employees.
 - Emergency grants and a forgivable loan program make up the main features of the Act impacting small business.
 - The Act also makes rules changes for expenses and deduction so that companies are more easily able to keep employees on the payroll and stay open in the near-term.



“CARES” Act: Small Business Impact

- Emergency Grants: The Act provides \$10 billion for grants up to \$10,000 to provide emergency funds for small businesses to cover immediate operating costs.
- Forgivable Loans: The Act sets aside \$350 billion for the Small Business Administration to provide loans of up to \$10 million per business.
- Relief for Existing Loans: The Act provides \$17 billion to cover six months of payments and interests for small businesses that already have SBA loans.



“CARES” Act: Emergency Grants

- **SBA Economic Injury Disaster Loans:**

- Businesses with 500 or fewer employees may apply for an EIDL loan up to \$2 million
- SBA is making \$10,000 advance loan available for applicants. If the applicant is denied, they do **not** need to repay the \$10,000 advance.
- Emergency advance funds can be used for inventory, equipment purchases, operating expenses, or for repaying obligations that cannot be met due to revenue losses.
- Up to \$10,000 in EIDL advance funds can be rolled into “Payroll Protection Program” loans and will qualify for forgiveness.
- Recipients of EIDL grants greater than \$10,000 who are using the money for payroll, rent and/or utilities will **NOT** qualify for “Payroll Protection Program” loans.



“CARES” Act: Payroll Protection Program

- Small Business Interruption Loans, also known as 7(a) loans
- Who’s eligible?
 - Any small business, public non-profit, or private non-profit (501(c)(3) or 501(c)(19)) organization with 500 or fewer employees that was operating as of February 15, 2020.
- What is the covered period?
 - 8 week period from loan origination b/w February 15, 2020 - June 30, 2020
- Qualifying uses of the loan:
 - Employee Salaries & Hourly Wages
 - Payroll support including paid sick, medical & family leave, health care premiums, payroll taxes
 - Mortgage Interest & Rent Payments (Not prepayment or principal)
 - Utilities (Gas, Water, Electricity, Phone & Internet)



“CARES” Act: Payroll Protection Program

- How much can I borrow?
- The lesser of either:
 - 2.5 x Average Monthly Payroll February 1, 2019 - January 31, 2020
 - or -
 - \$10 Million



“CARES” Act: Payroll Protection Program

- **Loan Forgiveness**

- The Act provides for loan forgiveness for 8 weeks of qualified expenses after the loan is made provided 75% of the loan is used for payroll purposes.
- Qualified expenses include total payroll costs, mortgage interest or rent payments, and utility payments for services established prior to February 15, 2020.
- Exclusions include the prorated cost of compensation of any individual above \$100,000/year and any payments already covered by emergency paid sick leave and emergency FMLA included in the Families First Coronavirus Response Act
- Loan forgiveness cannot exceed total payroll costs and debt incurred before covered period.



“CARES” Act: Payroll Protection Program

- **Loan Forgiveness Exception**

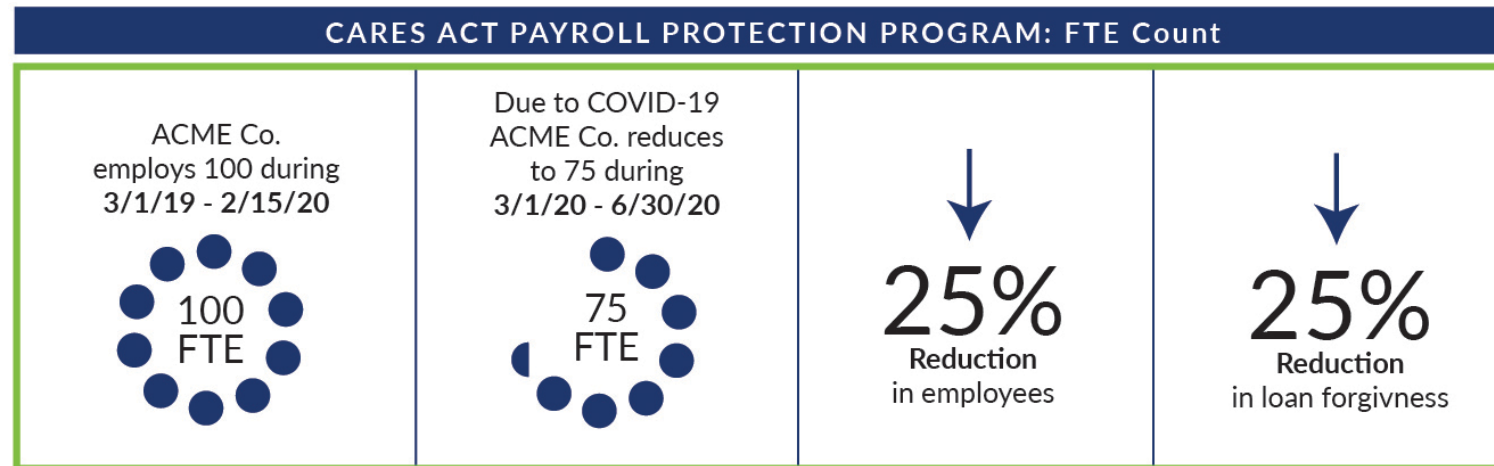
- An eligible recipient with tipped employees may receive forgiveness for additional wages paid to those employees.
- Additional wages for tipped employees is based on a monthly average of reported tips.



“CARES” Act: Payroll Protection Program

- **Loan Forgiveness Reductions**

- The amount of loan forgiveness will be reduced by the proportion of any workforce reduction.



- Example:

- ACME, LLC employed 100 full-time equivalent employees on average every month between February 1, 2019 and January 31, 2020.
- ACME, LLC employs 75 full-time equivalent employees on average during the covered period, February 15, 2020 through June 30, 2020.
- Loan Forgiveness Reduction = $1 - (75 \div 100) = 25\%$



“CARES” Act: Payroll Protection Program

- **Loan Forgiveness Reductions**

- Loan forgiveness is reduced by the dollar amount of any pay reductions over 25% in salaries or wages for all employees earning less than \$100,000 annually based on the average pay in the previous full quarter.

CARES ACT PAYROLL PROTECTION PROGRAM: Salary Reduction			
ACME Co. pays Robert \$40,000 in salary or \$3,333/month	Due to COVID-19 ACME Co. reduces Robert's salary to \$28,000 or \$2,333/month ↓ 30% Salary reduction \$1,000/mo.	Any salary reduction over 25 % is not forgiven in the loan. 25% of Robert's monthly salary is \$833/mo.	Forgiven max. 25%= \$833/mo. Robert's reduction is 30% or \$1,000/mo. \$1,000 - \$833.= \$167./mo. Any reduction over 25% ↓ \$167 not forgiven

- Example:

- ACME Co. pays Robert a salary of \$40,000/year or \$3,333/month.
- Robert's salary is reduced to \$28,000/year or \$2,333/month - a reduction of 30% or \$1,000.
- 25% of \$3,333 = \$833
- Loan forgiveness reduced by \$1,000 - \$833 = \$167/month.



“CARES” Act: Payroll Protection Program

- **Shortlist of the items to process the SBA 7(a) relief loan:**
 - Completed Application
 - Articles of Incorporation/Organization of each borrowing entity
 - By Laws/Operating Agreement of each borrowing entity
 - All owners Driver’s Licenses
 - Payroll Expense verification documents to include:
 - IRS Form 940 and 941
 - Payroll Summary Report with corresponding bank statement
 - If a Payroll Summary Report is not available, Employee Pay Stubs as of February 15, 2020 (or corresponding period) with corresponding bank statement, and, breakdown of payroll benefits (vacation, allowance for dismissal, group healthcare benefits, retirement benefits, etc.
 - 1099s (if Independent Contractor)
 - Certification that all employees live within the United States. If any do not, provide a detailed list with
 - corresponding salaries of all employees outside the United States
 - Trailing twelve-month profit and loss statement (as of the date of application) for all applicants
 - Most recent Mortgage Statement or Rent Statement (Lease)
 - Most recent Utility Bills (Electric, Gas, Telephone, Internet, Water



“CARES” Act: Employee Retention Tax Credits

• **CANNOT BE USED IN CONJUNCTION WITH PPP LOANS**

- Period: Payrolls between March 13, 2020 - December 31, 2020
- The Act establishes a fully refundable tax credit for businesses of all sizes that are closed or distressed to help them keep workers on the payroll.
- The credit covers to 50 percent of payroll on the first \$10,000 of compensation, including health benefits, for each employee.
- For employers with more than 100 full-time employees, the credit is for wages paid to employees when they are not providing services because of the coronavirus.
- Eligible employers with 100 or fewer full-time employees could use the deduction even if they aren't closed.

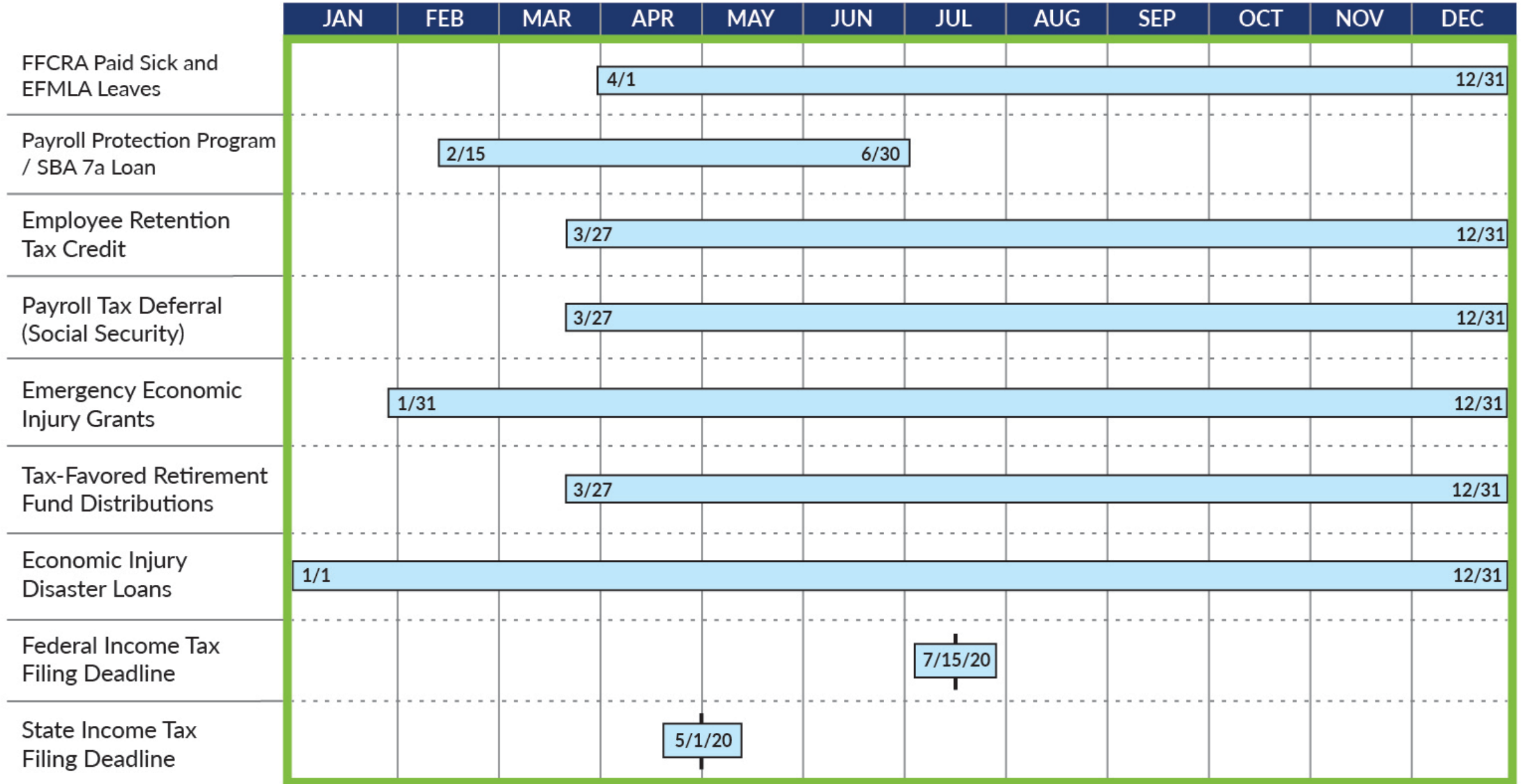


“CARES” Act: Employer Payroll Taxes

- **CANNOT BE USED IN CONJUNCTION WITH PPP LOANS**
- **Delay of Payment of Employer Payroll Taxes**
 - Employers can defer payment of the employer share of the 6.2% Social Security tax.
 - Eligible Period: March 13, 2020 - December 31, 2020
 - All employer payroll taxes will be considered “on time” for the eligible period provided:
 - 50% of taxes are remitted by December 31, 2021
 - The remaining 50% are remitted by December 31, 2022



Eligibility Periods for COVID-19 Related Programs 2020



“CARES” Act: Tax-Favored Retirement Fund Distributions

- **Coronavirus-Related Retirement Plan Distributions**

- Qualifying Period: March 27, 2020 - December 31, 2020
- Limit: 401(k) and IRA plan distributions not to exceed \$100,000
- Qualifying Event:
 - Individual diagnosed with COVID-19
 - Individual’s spouse or dependent is diagnosed with COVID-19
 - Individual experiences adverse financial consequences as a result of being quarantined, being furloughed or laid off or having work hours reduced due to COVID-19, being unable to work due to lack of child care or school being closed, closing or reducing hours of a business owned or operated by the individual, or other factors as determined by the Secretary of the Treasury.
- Individual has 3 years from day after distribution to repay amount without having to count the distribution as taxable income.



As requirements change and laws are passed,
we will update you as soon as possible.

Don't forget to wash your hands!



We received many emails asking questions and are working on responding as quickly as possible. With all questions, please email: questions@dominionpayroll.com

Questions?

For resources, updates, webinar schedule, and FAQ's, please visit our page:



<https://empower.dominionpayroll.com/covid-19updates>

