CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT

Coronavirus Aid, Relief, and Economic Security Act - What We Know

Summary

The CARES Act was signed into law on March 27, 2020. This bill intends to provide emergency assistance and health care response for individuals, families, and businesses affected by the 2020 coronavirus pandemic.

In the coming days and weeks, guidancewill be provided on how to execute or implement the new requirements, and how to apply for the new benefits where applicable. In the meantime, individuals, employers and advisors must rely on a good faith interpretation of the act's text.

For information on updates and changes, please check-in periodically with theCheckWriters COVID-19 Resource Page.

The below reflects information pertinent to our clients and their employees, and is not all inclusive of all individual, healthcare industry, and miscellaneous provisions that CARES covers.

Employee Impact

The FFCRA Emergency FMLA has been further defined in CARES to include certain employees who were laid off and are/will be rehired.

- Eligible employees now include employees who were laid off not earlier than March 1, 2020, had worked for the employer for not less than 30 of the last 60 calendar days prior to the employee's layoff, and was rehired by the employer

Individual taxpayers can expect a recovery check of $1,200 per individual, or $2,400 for married couples filing jointly, plus $500 for each qualifying dependent child.

- The recovery checks begin to phase out for taxpayers whose adjusted gross income exceeds $150,000 for joint returns, $112,500 for head of household and $75,000 for individuals.
- The amount of the recovery check is based on wages reported on the taxpayer's 2019 tax return (or 2018 if they have not yet filed a 2019 return).
- If an individualdid not file a return in either 2018 or 2019, the IRS will use their 2019 Social Security income.

The penalty is suspended for withdrawing up to $100,000 from retirement accounts for certain eligible individuals.

- Taxpayers may repay these amounts within three years of withdrawal without regard to that year's cap.
- This relief is available to an individual who:
    - Is diagnosed with COVID-19
    - Has a spouse or dependent who is diagnosed with COVID-19
    - Experiences adverse financial consequences as a result of being quarantined, furloughed, laid off, having work hours reduced, being unable to work due to lack of child care due to COVID-19, closing or reducing hours of a business owned or operated by the individual due to COVID-19 or other factors as determined by the Treasury Secretary

Unemployment benefits are expanded for individuals, including those who are self-employed.

- If an individual becomes unemployed, partially unemployed or is unable to work due to COVID-19 on or after January 27, 2020 through December 31, 2020, they are eligible for the expanded benefits
- These benefits include (please note that these benefits may vary by state):
    - The unemployment benefit is increased by $600 per week
    - A one-week waiver of the traditional unemployment waiting period
    - An additional 13 weeks of coverage
- The package also calls for a new pandemic unemployment assistance program, which will provide jobless benefits to those who are unemployed, partially unemployed or unable to work because of COVID-19 and don't qualify for traditional benefits.

There are now additional pre-tax benefits for reimbursement accounts:

- HSA coverage of telehealth services prior to a patient reaching the deductible is now available
- Over-the-Counter (OTC) items eligibility under FSA, HRA, and HSAs has been temporarily reinstated.

The CARES Act provides funding for childcare providers to stay open and maintain payroll/staffing if their services are provided for healthcare, emergency, and sanitation workers required to work amidst the COVID-19 crisis.

Employer Impact

CARES provides small business relief specifically for employers with 500 or fewer employees, including nonprofits, in a few different forms:

- Forgiveness of up to 6 months of payments on any existing Small Business Administration non-disaster loans
    - The loan forgiveness would be for an amount equal to the costs incurred between February 15, 2020 and June 30, 2020, due to payroll, rent and utility payments, and mortgage interest payments

- Institution of a Paycheck Protection Loan Program (PPP Loan) to help employers cover payroll costs, including salaries, healthcare premiums, paid leave benefits, and state taxes on employee wages.

- The loans implemented under the CARES Act will be forgiven so long as businesses pledge not to lay off their workers.

    - These loans are being offered to qualified business through the U.S. Small Business Administration (SBA). These are low-interest loans with terms potentially as long as 30 years.
    - When applying, be prepared to provide the following information:
        - Tax Information Authorization (IRS Form 4506T), completed and signed by each principal or owner
        - Recent federal income tax returns
        - Personal Financial Statement (SBA Form 413)
        - Schedule of Liabilities listing all fixed debts (SBA Form 2202)
        - Companies may also need to provide profit and loss statements, recent tax returns and balance sheets
    - After the application, the SBA will review credit information before conducting its own inspection to verify losses.
    - The SBA says its goal is to arrive at a decision on any disaster loans within two to three weeks.

The CARES Act provides an Employee Retention Credit based on the economic hardship COVID-19 placed on a business.

- For wages paid after March 12, 2020, and before January 1, 2021, eligible employers and nonprofits would be allowed a new refundable payroll tax credit equal to 50 percent of the qualified wages paid
- The total eligible wages per employee are $10,000, resulting in a maximum credit of $5,000 per employee
- To qualify for the credit, an employer must meet all of the following criteria:
    - The employer must have carried on a trade or business during calendar-year 2020
    - The operation of that trade or business is either:
        - Fully or partially suspended due to orders from an appropriate governmental authority limiting commerce, travel or group meetings due to COVID-19

        - Or, receiving gross receipts, for at least one calendar quarter, that are less than 50 percent of the gross receipts received during the same calendar quarter(s) in the prior year (this period of significant decline in gross receipts is recognized until the gross receipts for a calendar quarter are greater than 80 percent of gross receipts for the same calendar quarter in the prior year)
- The number of employees will further determine an employer's eligibility to qualify for the credit
    - For employers with more than 100 full-time employees during 2019, the credit only applies to qualified wages paid to employees when they are not providing services due to a governmental order related to COVID-19.
    - For employers with 100 or fewer full-time employees, the credit applies to all employee wages.
- There are stipulations to prevent employers from "double dipping" and counting wages towards multiple credits.
    - This is relative to the calculation of other credits, such as the Work Opportunity Tax Credit (WOTC) and the employer credit for Paid Family and Medical Leave
    - Also, it is specified that employers receiving PPP loansunder CARES are not eligible for the employee retention credit

The CARES Act will allow employers to defer paying their share of the social security portion of payroll taxes from March 27, 2020 through December 31, 2020. This provision allows for 50 percent of those taxes to be instead deposited by December 31, 2021, and the remainder deposited by December 31, 2022.

- All employers may defer the deposit and payment of the employer's share of social security tax, however;
- Employers who have received a PPP loan, but whose loan has not yet been forgiven, may defer deposit and payment of the employer's share of social security tax that otherwise would be required to be made beginning on March 27, 2020, through the date the lender issues a decision to forgive the loan.
- Once an employer receives a decision from its lender that its PPP loan is forgiven, the employer is no longer eligible to defer deposit and payment of the employer's share of social security tax due after that date.
- An employer is entitled to defer deposit and payment of the employer's share of social security tax **prior** to determining whether the employer is entitled to the paid leave credits under FFCRA or the employee retention credit, **and prior** to determining the amount of employment tax deposits that it may retain in anticipation of these credits, the amount of any advance payments of these credits, or the amount of any refunds with respect to these credits.

- Health care providers will receive $100 billion in grants to help fight the coronavirus and make up for revenue lost by delaying elective surgeries and other procedures.

Read the CARES Act here https://www.congress.gov/116/bills/s3548/BILLS-116s3548is.xml