

WELCOME

COVID-19: CARES Act Stimulus Package

Our webinar will begin promptly at 10 AM CST.

- Please keep video off and remain muted to preserve bandwidth and connectivity for all.
- Call quality is best using telephone audio rather than computer audio.
- To ask a question, you'll need to locate and use the Chat feature at the bottom right of the Zoom window.
- Please continue to reach out to your Client Success Manager (CSM) with additional questions.

Thank you for joining us!





COVID-19: CARES Act Stimulus Package

Speakers:

Jason Randall, CEO Questco

Wendy Katz, CFO Questco

Gordon Berger, Attorney FisherBroyles

Agenda:

- 1) CARES Act Financial Relief
 - Paycheck Protection Program
 - Employee Retention Tax Credit
 - Employer's Social Security Tax Payment Deferral
- 2) FFCRA Clarification Update
- 3) Q & A



QUESTCO CEO WELCOME – QUESTCO IS HERE TO SUPPORT OUR CLIENTS

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BUSINESS OWNER FINANCIAL RELIEF
PAYCHECK PROTECTION PROGRAM

Potentially forgivable SBA loans will be made available to eligible employers

- Applies to loans made between 2/20/20 and 6/30/20

Loan Characteristics

- Loan Calculation: 250% of average monthly payroll costs (based on 12-month look back)
- Maximum loan amount capped at \$10 million
- Payroll costs include:
 - Salary, wage, commission, or similar compensation (generally capped at \$100,000/employee)
 - Cash tips or equivalent
 - Pay for vacation, parental, family, medical, or sick leave
 - Allowance for dismissal or separation
 - Group health care benefits “including insurance premiums”
 - Retirement benefits
 - State or local tax assessed on the compensation of employees
 - Certain sole proprietor and independent contractor compensation



BUSINESS OWNER FINANCIAL RELIEF
PAYCHECK PROTECTION PROGRAM

Generous Loan Terms:

- Loans will be **100%** guaranteed by the SBA
- No application fees allowed
- No closing costs allowed
- First 6 months of principal and interest automatically deferred
- Maximum interest rate of 4%
- Maximum loan term of 10 years



BUSINESS OWNER FINANCIAL RELIEF
PAYCHECK PROTECTION PROGRAM

Streamlined Loan Procedures:

- Nonrecourse; no collateral; no personal guarantees
- Waiver of requirement to explore credit availability from other sources
- **Borrower must only certify that:**
 - ✓ Loan is necessary to support ongoing operations
 - ✓ Funds will be used to retain employees and maintain payroll or make mortgage payments, lease payments, or utility payments
 - ✓ No prior loan under this program has been received and there are no applications pending for duplicate amounts



BUSINESS OWNER FINANCIAL RELIEF
PAYCHECK PROTECTION PROGRAM

LOAN FORGIVENESS – Some (or all) of the loan will be forgiven

Maximum Eligible Loan Forgiveness:

Loan forgiveness equal to the amount spent by the borrower during the covered 8-week period after the origination date of the loan to cover the following business expenses:

- Payroll costs
- Rent obligated under a lease in effect before 2/15/20
- Utility costs for services which began before 2/15/20
- Interest on the business' mortgage obligations

➤ **Forgiven Loans Not Subject to Tax**

Reduction in Loan Forgiveness – Forgiveness amount is **reduced** for the following reasons:

- Reducing the number of employees during the covered period; and
- Reducing salaries and wages during the covered period
- Reductions in employment or wages prior to the period beginning 2/15/20 and ending 30 days after CARES Act enactment eliminated prior to 6/30/20 will not reduce the amount of loan forgiveness.



BUSINESS OWNER FINANCIAL RELIEF

EMPLOYEE RETENTION TAX CREDIT

Refundable payroll tax credit available to employers:

- that were carrying on a trade or business during calendar year 2020, and
- with respect to any calendar quarter:
 - had its operations fully or partially suspended under government orders due to COVID-19, or
 - had a decline of at least 50% in gross receipts as compared to the same calendar quarter in the prior year

Credit is equal to 50% of “qualified wages” with respect to employee for the quarter

- Maximum wages taken into account per employee is \$10,000 (max credit = \$5,000 per employee)
- Credit is provided for wages paid or incurred from 3/13/20 through 12/31/20
- Excludes wages taken into account under paid sick / family leave (FFCRA)
- Credit calculation includes employer’s “properly allocable” qualified health plan expenses with respect to the covered employee
- Special rules to be provided for employers that were not in operation for all of 2020
- Wages considered under paid sick/family leave (FFCRA) (i.e., those that receive a separate 100% credit) are excluded



BUSINESS OWNER FINANCIAL RELIEF
EMPLOYEE RETENTION TAX CREDIT

Credit can be taken **immediately** against the employer portion of Social Security taxes (Code section 3111(a)) that are due (and potentially against other federal employment tax obligations that the IRS specifies).

If employer is not able to claim entire credit against applicable employment taxes due, any excess credit is treated as an overpayment to be **refunded promptly** by the IRS (component of Form 7200)



BUSINESS OWNER FINANCIAL RELIEF
SOCIAL SECURITY TAX DEFERRAL (Employer Portion)

All employers are eligible (subject to the exception described in the last row below)

- Employers may defer employer share of Social Security tax deposits (Code section 3111(a)) due for the period beginning 3/27/20 through 12/31/2020.
- Payment schedule for deferred taxes:
 - 50% due by 12/31/2021
 - 50% due by 12/31/2022
- PEO client employers will assume sole liability for payment of any deferred taxes when the client directs the PEO to defer tax payment with respect to wages paid by the PEO under this deferral option. IRS expected to issue guidance on rules for the administration and enforcement of these provisions
- Deferral option is **NOT** available if employer has had indebtedness forgiven under the new SBA PPP loan forgiveness provisions.



RESTRICTIONS ON OVERLAPPING BENEFITS

PAYCHECK PROTECTION PROGRAM

A business with an SBA Paycheck Protection loan will not be eligible for the employee retention credit (described to the right)

A business that has had indebtedness forgiven under the SBA Paycheck Protection program will not be eligible for deferral of Social Security taxes (described in far-right column)

EMPLOYEE RETENTION TAX CREDIT

Credit not available if eligible employer receives a covered loan under SBA's new Paycheck Protection program (described to the left)

Also, no double benefit with:

- o Work opportunity credit (Code section 51)
- o Employer credit for paid family and medical leave added in 2017 tax reform legislation (Code sec. 45S)

SOCIAL SECURITY DEFERRAL

Social Security tax deferral is not available if taxpayer has had indebtedness forgiven under new SBA loan forgiveness provisions (described to the left)

However, it is possible that the IRS will determine that partners in an LLP may be eligible for SECA tax deferral even if the LLP obtains an SBA Paycheck Protection loan

FINANCIAL RELIEF PACKAGES

How can Questco Support You

1

Payroll reports to compute allowable

2

Documentation to support application submission

3

941 Tax Liability calculations and credit availability



FFCRA DOL CLARIFICATIONS

FFCRA Small Business Exemption (50 employees or under) is available if offering the leave would jeopardize the business's viability in 1 of 3 ways:

- 1** An employer must conclude that providing the leave would cost more than the company's available revenue, causing the company to "cease operating at a minimal capacity";
- 2** that the loss of workers on leave would be a "substantial risk" to the company's finances or operations;
- 3** or that there aren't enough available and qualified workers to replace employees who are out on leave

NOTE: *Exempt businesses are still required to provide up to two weeks of sick leave for employees subject to a quarantine or experiencing symptoms associated with the coronavirus.*



NEW DOL RULE FOR FFCRA

DEFINED TERMS

“Subject to a Quarantine or Isolation Order”. Quarantine or isolation orders triggering coverage include a “broad range of governmental orders” such as those that advise some or all citizens to shelter in place, stay home, quarantine, or “otherwise restrict their own mobility,”.

“Son or Daughter” means a biological, adopted, or foster child, a stepchild, a legal ward, or a child of a person standing in loco parentis, who is under 18 years of age; or 18 years of age or older who is incapable of self-care because of a mental or physical disability.

“Telework”. An Employee is able to Telework if: (a) his or her Employer has work for the Employee; (b) the Employer permits the Employee to work from the Employee’s location; and (c) there are no extenuating circumstances (such as serious COVID-19 symptoms) that prevent the Employee from performing that work. Telework may be performed during normal hours or at other times agreed by the Employer and Employee.



FFCRA DOL CLARIFICATIONS

Qualifying Conditions:

An **Employee** Subject to a Quarantine or Isolation Order may **not** take Paid Sick Leave where the Employer does not have work for the Employee as a result of the order or other circumstances.

Seeking medical diagnosis for COVID-19. An Employee may take Paid Sick Leave if the Employee is experiencing any of the following **symptoms**: (i) fever; (ii) dry cough; (iii) shortness of breath; or (iv) any other COVID-19 symptoms identified by the U.S. Centers for Disease Control and Prevention.

Caring for an individual means an Employee's immediate family member, a person who regularly resides in the Employee's home, or a similar person with whom the Employee has a relationship that creates an expectation that the Employee would care for the person if he or she were quarantined or self-quarantined. *For this purpose, "individual" does not include persons with whom the Employee has no personal relationship.*



FFCRA DOL CLARIFICATIONS

Calculating the regular rate for commissions, tips, and piece rates.

An Employee's commissions, tips, and piece rates are incorporated into the regular rate for purposes of the FFCRA to the same extent that they are included in the calculation of the regular rate.

All Employees employed by an Employer for at least thirty calendar days are eligible for Expanded Family and Medical Leave.

- (1) An Employee is considered to have been employed by an Employer for at least thirty calendar days if:
 - (i) the Employer had the Employee on its payroll for the thirty calendar days immediately prior to the day that the Employee's leave would begin; or
 - (ii) the Employee was laid off or otherwise terminated by the Employer on or after March 1, 2020, and rehired or otherwise reemployed by the Employer on or before December 31, 2020, provided that the Employee had been on the Employer's payroll for thirty or more of the sixty calendar days prior to the date the Employee was laid off or otherwise terminated.



FFCRA DOL CLARIFICATIONS

An **Employee** who has been employed by a covered Employer for at least thirty calendar days **is eligible** for Expanded Family and Medical Leave under the EFMLEA **regardless** of whether the Employee would otherwise be eligible for leave under the FMLA. Thus, for example, an Employee need not have been employed for 1,250 hours of service and twelve months of employment as otherwise required under the FMLA.

“Health care provider” is anyone employed at any doctor’s office, hospital, health care center, clinic, postsecondary educational institution offering health care instruction, medical school, local health department or agency, nursing facility, retirement facility, nursing home, home health care provider, any facility that performs laboratory or medical testing, pharmacy, or any similar institution, Employer, or entity.

“Emergency responder” is anyone necessary for the provision of transport, care, healthcare, comfort and nutrition of such patients, or others needed for the response to COVID-19.



Questions

***Please remain muted and use the Chat feature.**

