

Federal Relief Questions and Answers
April 1, 2020

Question:

I read that we can adjust salary pay to employees.

1. Yes, you can adjust the compensation and hours or completely lay off employees. If you want these employees to come back once the dust settles a bit you will want to communicate with them the Who, What, When, Why and How the best you can.
2. Employees can act independently. If you reduce your employee's compensation they should communicate with Wisconsin Department of Workforce Development Unemployment Insurance in order to determine whether they are entitled to benefits under their circumstances.

Question:

Are there any stipulations regarding owners being the salaried employees, if those owner/employees have chosen to waive state unemployment? Might the owner be eligible under the current relief program?

1. So far in Wisconsin we are not seeing where unemployment benefits will be paid when the owner has waived being taxed and getting the benefits. We are watching for something like this, however, nothing yet. There are some states who may be allowing this.

Question:

Do you think we would benefit or even qualify to apply for a Payroll Protection loan?

1. During this time we recommend going through the process. No one likes completing the documents and setting aside time for this, however, you will learn a great deal by going through the process with a banker. With clearer direction over just the last 24 hours we are seeing a very likely benefit for a large number of business owners. The worst that could happen would be that the loan not be forgiven. In any case, if you are requesting a loan, in the end you can use funds to the extent you need them and pay back the remainder as funds are available. The idea is to error on the side of liquidity.
2. The payroll protection loan requires that you retain your payroll. There are rules you have to follow in order to get full benefits. However, even if you do not maintain your payroll you will have a loan, even though not all of it may be forgiven. Something is likely better than nothing.

Question:

I have an S Corp business (I am the only Employee, not ruled self-employed) that works exclusively for another entity. My S Corp is a Sub-Contractor for the other entity and gets paid as an Independent Contractor. The S Corp pays me as a W-2 Employee. I understand there is a potential to get a loan which could potentially be forgiven if you show reduced wages or no wages as well, up to 8-weeks. I believe if you show your wages were less a year ago (for the same months, ex. April, May, June), you are entitled to the lesser wages. Is that correct? For example, if I paid myself \$3,000. in April 2019 and only \$1,000. In April, 2020, would the difference of \$2,000 be a recoverable wage loss. Keep in mind, most of my customers are

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businesses that are being affected by this pandemic. They are reducing their Employee staff and possibly laying off Employee's. The customers are starting to become delinquent in their payments, due to cash flow issues.

1. It is actually the other way around. If you maintain your payroll even as the profits from the business decline you may be forgiven the Payroll Protection loan you needed in order to pay wages and a host of other related business expenses (refer to the documents in the special email we sent on April 1 @7am). At this point we are not aware of any exclusion indicating that S corporation shareholders who are also employees would be excluded. When it comes to loan forgiveness it appears that you will need to have evidence that payroll was maintained and that your business was impacted. In any case, if you are requesting a loan, in the end you can use funds to the extent you need them and pay back the remainder as funds are available. The idea is to error on the side of liquidity.

Question:

What are the maximum expenses which can be applied toward loan forgiveness for the 8 week period? All employees earn below \$100,000.

1. We are not aware of any limitation on the potential loan forgiveness for individual wages and related expenses below \$100,000.

Question:

Can you explain how Health Insurance premiums can be included as a business expense for the Payroll Protection Program? I pay my premiums every 6 months and the next due date is July 1st. I will be paying a premium my family covering us from July 1 thru Dec. 31st. If this premium is paid before June 31st (a current end date for the SBA Loan), is the total premium an eligible expense and reimbursable expense?

1. So far we have not found a clear answer to whether prepaid business expenses disbursed before July 1 would be included as a business expense related to payroll and therefore eligible for potential forgiveness. However, it is likely that only the expenditures incurred would only be included as being eligible. Meaning it is more likely that the portion of the amount paid before July 1 related to July 1 and earlier would be eligible, while the portion of the amount paid before July 1 related to July 1 and after would not be eligible.

Question:

What are the limitations needed to get it forgiven at the end of the term?

1. **How much of my loan will be forgiven?** You will owe money when your loan is due if you use the loan amount for anything other than payroll costs, mortgage interest, rent, and utilities payments over the 8 weeks after getting the loan. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs. You will also owe money if you do not maintain your staff and

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payroll.

- **Number of Staff:** Your loan forgiveness will be reduced if you decrease your full-time employee headcount.
 - **Level of Payroll:** Your loan forgiveness will also be reduced if you decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019.
 - **Re-Hiring:** You have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.
2. **How can I request loan forgiveness?** You can submit a request to the lender that is servicing the loan. The request will include documents that verify the number of full-time equivalent employees and pay rates, as well as the payments on eligible mortgage, lease, and utility obligations. You must certify that the documents are true and that you used the forgiveness amount to keep employees and make eligible mortgage interest, rent, and utility payments. The lender must make a decision on the forgiveness within 60 days.
3. <file:///C:/Users/.ks/Documents/PPP%20Borrower%20Information%20Fact%20Sheet.pdf>

Question:

Are there any programs that you think I should check out for self-employed or independent contractors?

1. This item was addressed in previous Q&A emails, however, there is new information coming out hourly. Here is recent information.
2. This bill creates a new program, called Pandemic Unemployment Assistance, that extends benefits to gig workers, contractors and others who wouldn't otherwise qualify for unemployment compensation but cannot work due to the coronavirus emergency. You'll get the \$600 per week, plus half the average unemployment benefit in your state.
3. <https://www.nbcnews.com/politics/congress/coronavirus-unemployment-benefits-here-s-who-qualifies-how-much-they-n1169846>
4. <https://www.cnet.com/how-to/coronavirus-unemployment-payments-applying-and-more/>

Question:

What is the best route for me to take? Unemployment or this Payroll Protection Loan?

1. Our recommendation based on the information we have is that you pursue both simultaneously. Each situation is different. The gut feeling at the moment (and this can change based on new information) is that the Payroll Protection Loan will be the best for business owners. If you pursue this please provide us with your experience so that we can spread the word on what you are learning. This information is all still very fluid.

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2. <https://www.cnet.com/how-to/coronavirus-unemployment-payments-applying-and-more/>

We are getting a lot of questions regarding unemployment. Here are some answers:

What is unemployment insurance?

When you get laid off from your job, you can file for unemployment insurance. Every state's requirements and benefits are different. For instance, [I live in Florida](#), where qualifying residents can claim up to 12 weeks of unemployment benefits at up to \$275 a week. See what it's like [where you live](#). Before the stimulus package passed, unemployment benefits were meant to temporarily help cover your needs -- like housing costs, food and utility bills -- until you can find new work. If you're self-employed and lost clients or business due to the coronavirus pandemic, you would've otherwise not qualified for regular unemployment insurance.

Who does the new stimulus package cover?

Aside from full-time workers, you're eligible to receive benefits as a part-time or self-employed worker, as well as if you're already unemployed or can't work because of COVID-19. [Others that are included:](#)

- You were set to start a new job and can't because of the outbreak.
- You collect veteran or Social Security benefits.
- Your job closed due to the coronavirus (for instance, restaurants or businesses deemed "non-essential").
- You're not working because you have to care for children or other family members who would otherwise attend school or another facility.

How much money will I receive?

The plan will give you an extra \$600 a week on top of whatever you get through your state's current unemployment insurance package. It will cover you for an extra 13 weeks. That means in my state of Florida -- which usually covers 12 weeks -- residents will be covered for 25 weeks. [Most states have unemployment benefits](#) that are upwards of 26 weeks. The extension would mean they're covered through 39 weeks. Even if you've already exhausted all your unemployment benefits, you could reapply for the additional 13 weeks.

Weekly payouts vary by state, but many could see their unemployment benefits more than double. For instance, California residents get \$450 per week. The extra \$600 would put their weekly benefits at more than \$1,000. Median weekly earnings nationwide were [\\$936 in the fourth quarter of 2019](#).

Read more: [How to spend your \\$1,200 stimulus check](#)

What if I was furloughed?

While a layoff means a job was closed, a furlough is a temporary leave of absence, usually with an end date. Being furloughed is more beneficial, in general, since some employers continue to provide benefits and there is some form of job security. For instance, Macy's put a majority of its employees on furlough, [but is providing benefits to employees enrolled in healthcare "at least through May."](#)

Usually, unemployment benefits for furloughed employees vary from state to state, but, with the stimulus bill, [anyone who was furloughed due to the coronavirus outbreak qualifies for unemployment insurance](#). Unlike filing due to a layoff, furloughed employees do not have to prove they lost their jobs.

Is there anything it doesn't cover?

If you're able to work from home or currently receive paid leave, you won't qualify for the updated unemployment benefits.

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In some situations, if you quit your job, you might not be eligible to receive the new unemployment insurance. For instance, if you quit because you're worried you'll contract COVID-19, yet your place of employment is still open, you might not qualify. However, if you have to self-quarantine due to potential exposure, you'd be eligible.

The language on this is a little fuzzy. The bill is meant to cover those who quit their jobs as a direct result of the coronavirus, but it's up to individual states to determine if you're eligible to receive benefits. Although most states are beyond maximum capacity and having trouble handling the high volume of applicants, the only way to know if you'll get accepted is to apply.

When can I apply?

Immediately. Before the stimulus package was passed, you had to wait at least a week to receive benefits. But the new bill gets you money right away. That means if you lost your job this week, you can apply right now to receive payments.

With millions of people applying for unemployment -- and many more expected to file in the coming weeks -- most workers will benefit from this package. If you have no other way to work from home or take paid time off to care for yourself or your family, filing for unemployment might be the only way you can have enough cash to survive. In your time of need, don't be afraid to exhaust every resource you can find.

The program is retroactively set to Jan. 27, 2020 and goes through Dec. 31, 2020.

How to apply for unemployment insurance

There's no federal system for unemployment benefits, which means you'll need to apply through your state's individual system. Find your state's program, but be mindful that each state operates differently. This means the latest coronavirus information might not be updated yet. File according to your state's requirements but it's a good idea to be patient, given the circumstances.

Question:

Since I have not been paying myself via payroll, then you are saying the income I receive from my small business will not be covered under this legislation?

1. Our recommendation based on the information we have is that you pursue both the Payroll Protection Loan and unemployment simultaneously. Each situation is different. The gut feeling at the moment (and this can change based on new information) is that the Payroll Protection Loan will be the best for business owners. If you pursue this please provide us with your experience so that we can spread the word on what you are learning. This information is all still very fluid.
2. <https://www.cnet.com/how-to/coronavirus-unemployment-payments-applying-and-more/>

Question:

I know the FFCRA Act will be starting this coming Wednesday, the first of April. I've studied as much as possible and have been in conference calls with council. I have an employee who will have daycare/school issues of a child under the age of 18. Correct me if I'm wrong but he'll be eligible for paid sick leave at two thirds his regular rate of pay up to 80 hours and an additional 10 weeks of paid expanded family and medical leave at two thirds of his regular rate of pay. How will we track this on the time sheet and payroll to make sure we get are money back in tax credits from the government? Will this tax credit come quarterly when you file? Let me know, thanks. If you would rather call me on my cell that is fine also.

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1. Yes, that is how we read it as well as you describe. <https://abc11.com/emergency-paid-sick-leave-act-coronavirus-families-first-response-congress/6065804/>
2. In order to track the portion of your payroll related to the tax credit, you will need to make this compensation is very clear in your communications to the individual(s) who handle your payroll. We are all struggling to keep up and prioritizing work to benefit those most in need (clients looking for refunds). You will need to help by making it clear in your communications. The systems for tracking this information are in a state of flux as we learn more about what needs to be done. We appreciate your working with us as we figure it all out. I have notified the individuals who work with your payroll.
 - a. For many small business employers, providing these benefits, particularly during a global pandemic, is challenging.
 - b. Therefore, the government is providing two employer benefits for providing paid sick and family leave payments: 1. Exemption from employer Social Security tax; 2. Employer payroll tax credits, equal to 100% of the paid leave.
 - c. Normally, employers are responsible for paying 6.2% of each employee's wages for Social Security tax. But, the employer Social Security tax exemption means that you do not have to pay 6.2% on the paid sick or paid family wages you dole out.
 - d. The refundable employer payroll tax credit lets you receive a credit worth 100% of the paid wages you provide, up to \$511 or \$200 depending on the type of leave.
 - e. So, how does this work? Employers are required to withhold federal income, Social Security, and Medicare taxes from employee wages. Employers are also required to contribute the employer share of Social Security and Medicare taxes. But, the payroll tax credit lets you use withheld payroll taxes to cover the amount you owe an employee for paid sick or family leave.
 - f. Let's look at an example. Say you owe an employee \$3,000 in paid sick leave. You owe \$4,000 in payroll taxes to the IRS. Rather than depositing the \$4,000 with the IRS, you can take a \$3,000 credit to cover your sick employee's wages. Then, you would only owe \$1,000 to the IRS.
 - g. The tax credit also lets you take 100% of the employer share of [Medicare tax](#) on the paid leave wages as an additional credit.
 - h. If your payroll tax liability doesn't cover the cost of paid sick and family leave, you can request an accelerated credit from the IRS. [More information on this](#) is forthcoming from the IRS.
 - i. To claim the credit, you must hold onto necessary documents in your records. Contact the IRS to determine what forms you need to claim the credit. And according to the [Department of Labor](#), you don't need to provide leave if these materials aren't provided.
3. <https://www.patriotsoftware.com/blog/payroll/coronavirus-paid-leave-law/>

A Note about Communication during the Next Few Weeks

Clients are quite understandably in need of communication. We appreciate the opportunity to assist you. The format of communication with regard to the government relief programs at this time must be in the form of emails. We have to consider and weigh the communication needs of the many compared with the needs of the few. While in-person and individual telephone communication is preferred, we need to focus on helping the most clients in the least amount of time. Please email your government

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relief questions to Relief.Q-A@sorgecpa.com so that we can work together to get questions and answers disseminated as quickly as possible. Thank you!