



Employer Payroll Tax Deferral

The act allows for a delay of payment of employer payroll taxes. The provision allows employers and self-employed individuals to defer payment of the employer share of the Social Security tax they otherwise are responsible for paying to the federal government with respect to their employees. All employers are responsible for paying a 6.2-percent Social Security tax on employee wages. The provision requires that the deferred employment tax be paid over the following two years, with half of the amount required to be paid by December 31, 2021 and the other half by December 31, 2022. For self-employment taxes, 50% will not be due until those same dates.

Employee Retention Credit

The Act provides a refundable payroll tax credit for each calendar quarter, beginning March 31, 2020, through Dec. 31, 2020, equal to 50 percent of wages paid to employees during the outbreak by employers whose operations were fully or partially closed due to a COVID-19-related shut-down order, or whose gross receipts declined by more than 50 percent compared to the same quarter in the prior year.

The credit is based on qualified wages paid to employees and provided for the first \$10,000 of compensation paid to an eligible employee, including health insurance. This is only available to employers whose operations were fully/partially suspended due to COVID-19 OR whose gross receipts declined by more than 50% compared to the same quarter in the prior year. Taxpayers are not eligible for this credit if they take a small business interruption loan.

Paycheck Protection Program

The Act provides a provision to help small businesses (fewer than 500 employees) impacted by the pandemic and economic downturn to make payroll and cover other expenses from February 15 to June 30. Small businesses may take out loans up to \$10 million --limited to a formula tied to 2.5x payroll costs during the one-year period before the date on which the loan originate and can cover employees making up to \$100,000 per year. The loan proceeds can be used to pay employee salaries, retirement benefits, payment of state or local taxes, mortgage payments, rent and utility payments. Loans may be forgiven if a firm uses the loan for eligible payroll, interest payments on mortgages, rent, and utilities and would be reduced proportionally by any reduction in employees retained compared to the prior year and a 25 percent or greater reduction in employee compensation. Any loan amounts remaining after this forgiveness is applied will be carried forward, with a maximum maturity of 10 years and a maximum interest rate of 4% with an option to defer payments of interest and principal no more than 1 year.

As many businesses have already laid off workers as a response to the pandemic, the program can be retroactive, with the covered loan period running from Feb. 15 to June 30, 2020, which allows previously laid off or furloughed employees to be returned to payrolls.



THE MARCHESE GROUP LLC
ACCOUNTING • TAX • AUDIT

500 N Franklin Turnpike, Suite 301
Ramsey, NJ 07446

T 201-783-8375

F 201-783-8374

www.tmgcpa.net

Emergency Economic Injury Disaster Loan (EIDL)

The Small Business Administration provides loans to pay fixed debts, payroll and other expenses that cannot be paid due to a disaster's impact. New Jersey currently qualifies as a disaster assistance loan state. Terms are determined on a case by case basis but can offer payment terms up to 30 years and an interest rate of 3.75%.

The act establishes an emergency grant to allow an eligible entity who has applied for an EIDL to request an advance of up to \$10,000 which must be distributed in 3 days after the application is received. The advance payment may be used for providing paid sick leave to employees, maintaining payroll, meeting increased costs to obtain materials, making rent or mortgage payments, and repaying obligations that cannot be met due to revenue losses. Applicants are not required to repay the advance payment, even if they are subsequently denied the EIDL.