

CARES ACT – Keeping American Workers Paid and Employed

Employee retention payroll tax credit provides eligible employers with a refundable payroll tax credit for 50% of the wages paid by employers between March 12, 2020 through December 31, 2020.

Eligible employer with more than 100 employees in 2019 –

- Employer is fully or partially shut down
 - Qualified wages subject to the credit depending in part on size of business

Eligible employer with less than 100 employees in 2019 –

- Employer is fully or partially shut down
- Employer remains open but gross receipts are less than 50% what they were in the same quarter of 2019; continuing until the employer has a quarter where its receipts exceed 80% of what they were in the same quarter of the prior year (but ending on 12/31/20)

Qualified wages –

- Include qualified health plan expenses allocated to wages
- Maximum per employee cannot exceed \$10,000 for all quarters
- Employer not eligible if business takes advantage of loans from CARES Act
- Wages paid pursuant to EPLA and EFMLA do not apply

Payroll tax credit –

- Applies to the employer portion of any Social Security taxes
- Will be claimed on the filing of the 941 (new forms will be issued)
- If amount of credit exceeds the payroll tax liability for the quarter, the employer will get a refund

Delay of payment of Employer Payroll Taxes:

If payroll taxes are still due, the Act delays payment of the employer portion of social security taxes without penalty –

- Gives employers through 12/31/21 to pay 50% of any payroll tax owed for 2020
- Gives employers through 12/31/22 to pay the remaining 50% of payroll taxes owed for 2020

CARES ACT – Keeping American Workers Paid and Employed (Continued)

Paycheck Protection Loan Program:

- Ability to borrow for a variety of qualified costs related to employee compensation and benefits-
 - Payroll costs
 - Health care benefits
 - Employee compensation – those making less than \$100K
 - Mortgage interest obligations
 - Rent
 - Utilities
 - Interest on debt incurred before the covered period
- Raises the maximum amount of loan by 2.5 times the average total monthly payroll costs
- Interest rate may not exceed 4%
- No more than 500 employees
- Waives credit available elsewhere, personal guaranty and collateral requirements
- Business must have been operational and had paid employees or paid an independent contractor on 2/15/20
- All or a portion of the loan may be forgivable and debt service payments may be deferred for up to 1 year
 - Loan forgiveness equal to the amount spent by the borrower during an 8-week period after the origination date on the above costs
 - Amount forgiven may not exceed the principal of the loan
 - Reduces the amount forgiven proportionally by any reduction in employees retained compared to the prior year
 - To encourage employers to rehire any employees already laid off, borrowers that rehire workers will not be penalized for having a reduced payroll at the beginning of the period
- Loans will be available from SBA-approved lenders. Please check with your banker for details.

Unless this document expressly provides that the statements contained herein are intended to constitute written tax advice within the meaning of IRS Circular 230 §10.37, the intention of this document is to provide general information for discussion purposes only, and you should not, therefore, interpret the statements to be written tax advice or rely on the statements for any purpose. The sender will conclude that you have understood and acknowledged this important cautionary notice unless you communicate to the sender any questions you may have in a direct electronic reply to this message.