

CONNECTING THE DOTS

ADVICE FROM THE EXPERTS:
TAXES AND HUMAN RESOURCES
INSIGHTS FROM REHMANN



COVID-19 Update

 Rehmann

Presenters



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A close-up photograph of a person's hands working at a desk. The person is wearing a light blue shirt. Their right hand holds a black pen, and their left hand is positioned over a black calculator. The desk is covered with various financial documents, including a yellow and blue pie chart and a document with a gold header. The background is a blurred office window with a view of a city skyline. A large, dark blue diagonal overlay covers the right side of the image, containing the title and author information.

Government Resources and the Paycheck Protection Program (PPP)

Chris Sing, CPA, CGMA, MBA

- 1 **\$10,000** grants or **\$50,000-\$200,000** loans
- 2 Rolled out mid-March via **15** EDOs (Networks Northwest in Traverse City area)
- 3 Applications are now closed & under review



- 1 Payment postponements
- 2 Employee retention credit & FICA tax deferral
- 3 Individual rebate checks & retirement leniencies
- 4 Corporate amendment funds



Paycheck Protection Program (PPP)




\$349 BILLION | \$349 billion toward job retention and certain other expenses in key areas such as payroll, health insurance, mortgage interest, rent and utilities from February 15, 2020 - June 30, 2020.

Eligible recipients may qualify for a loan up to **\$10 million** determined by 8 weeks of prior average payroll plus an additional 25% of that amount.

AT LEAST 75% USED FOR PAYROLL | Funds are provided in the form of loans that will be fully forgiven when used for payroll costs, interest on mortgages, rent and utilities. Due to likely high subscription, **at least 75%** of the forgiven amount must have been used for payroll.

[LEARN MORE ABOUT THE PAYCHECK PROTECTION PROGRAM](#)

SBA Debt Relief



The SBA Debt Relief program will provide a reprieve to small businesses as they overcome the challenges created by this health crisis.

Under this program:

- The SBA will also pay the principal and interest of new 7(a) loans issued prior to September 27, 2020.
- The SBA will pay the principal and interest of current 7(a) loans for a period of six months.

Economic Injury Disaster Loans (EIDL)




LOAN ADVANCE UP TO \$10,000 | In response to the Coronavirus (COVID-19) pandemic, small business owners in all U.S. states, Washington D.C., and territories are eligible to apply for an Economic Injury Disaster Loan advance of **up to \$10,000**.

LOANS UP TO \$2 million | The SBA's Economic Injury Disaster Loan program provides small businesses with working capital loans of **up to \$2 million** that can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing. The loan advance will provide economic relief to businesses that are currently experiencing a temporary loss of revenue.

FUNDS WITHIN 3 days | Funds will be made available **within three days of a successful application**, and this loan advance will not have to be repaid.

SBA Express Bridge Loans

Allow small businesses who currently have a business relationship with an SBA Express Lender to

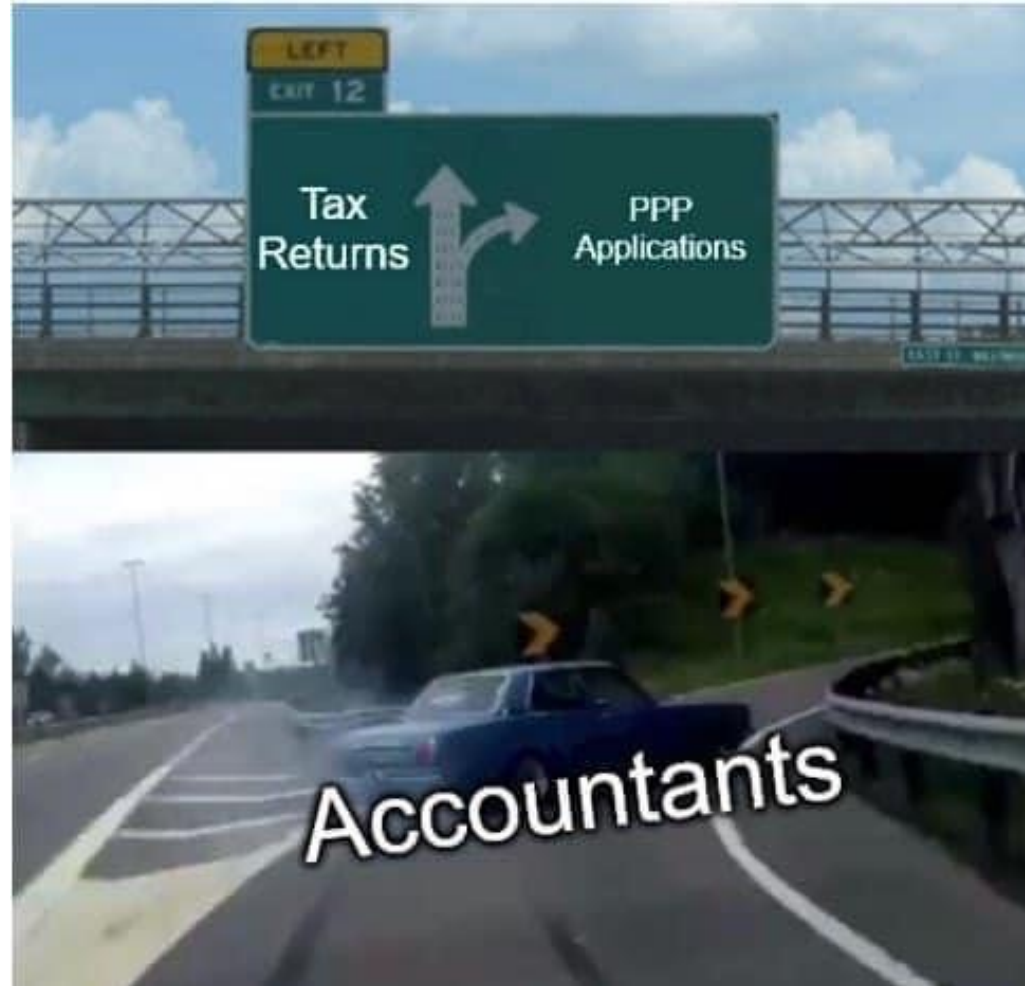


ACCESS UP TO \$25,000 WITH LESS PAPERWORK

These loans can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing and can be a term loans or used to bridge the gap while applying for a direct SBA Economic Injury Disaster loan.

Find an Express Bridge Loan Lender by connecting with your local SBA District Office at www.SBA.gov.

Paycheck Protection Program (PPP)



Paycheck Protection Program (PPP)

1

Loan Calculation

- 2.5x average monthly payroll costs
- Up to \$10 million
- Businesses & non-profits with <500 employees (generally)
- Self-employed individuals are eligible

2

Payroll Costs

- Average based on prior twelve months (2019 or 12 ME 3-31-20)
- Wages + health insurance + retirement benefits + state unemployment, less excluded costs
 - Does NOT include independent contractors
- Excluded costs
 - Excess salaries >\$100,000 per person
 - Foreign compensation
 - COVID-19 sick & family leave payments

3

Banks' Role

- Administer funds, fully SBA guaranteed
- Work with current bank; some accepting new relationships
- Good faith assumption
- Internal QC processes differ

4

Forgiveness Process

- 8 week period post loan
- Up to 25% used for mortgage interest/rent and utilities
- At least 75% use for payroll costs
- Employee wages don't decrease by more than 25%
- Rehire exemption if restore FTEs by June 30, 2020
- First six months of payments deferred, then unforgiven portion converted to 24-month loan at 1%



Human Resources

Susan West, SPRH, SHRM-SCP

The Families First Coronavirus Response Act (FFCRA)



THE ACT PROVIDES
\$104
BILLION

to help fight COVID-19 and protect workers and families from the health and economic impact of the virus.

Effective as of April 1, 2020

While the leave provisions are effective as of April 1, 2020, by the Department of Labor (DOL), they will expire on December 31, 2020.

Further guidance was issued on March 26th, 28th, 30th, April 1st and April 2nd.

Final Rule is due to be published April 6, 2020.

The ***Emergency Family Medical Leave Act*** is an emergency expansion of the Family Medical Leave Act (FMLA). It expands the FMLA to expand employers who now must comply, includes broader employee eligibility and allows coverage for a new category.

Emergency Family Medical Leave Act (FFCRA)

30
CALENDAR
DAYS

Any employee who has been employed for at least **30 calendar days** is eligible.

10-DAY
EXCLUSION
PERIOD

10-day exclusion period where leave may be unpaid if employee doesn't have accrued PTO available.

FEWER THAN
500
EMPLOYEES

Employers with **fewer than 500 employees** are covered.

FEWER THAN
25
EMPLOYEES

Employers with **fewer than 25 employees** may not be required to restore an employee who takes FMLA-covered leave if the employee's position no longer exists due to an economic downturn or other circumstances caused by a public health emergency.

“Full-Time” More Clearly Defined

The amount of EPSL employees receive under the FFCRA depends on whether they are "full" or "part" time; however, the law does not define the terms. In this new Q&A guidance, the DOL makes clear that "full-time" employees for EPSL purposes are those who normally are scheduled 40 or more hours per week.

An employee who is not "full" time is "part" time, and that employee receives a number of emergency paid sick leave hours equivalent to the number of hours the employee works on average over a two-week period. The DOL reminds employers that under FFCRA, FMLA+ “does not distinguish between full- and part-time employees, but the number of hours an employee normally works each week will affect the amount of pay the employee is eligible to receive.”

Definition of Child

Under both the EPSL and FMLA+ entitlements, employees can take leave to care for a child whose school or place of childcare closes, or whose childcare provider is unavailable, due to COVID-19. Although the FMLA+ provisions reference a child under 18 years of age, the EPSL provisions incorporate the broader definition under the pre-FFCRA FMLA.

In a new Q&A, the DOL clarifies that, for both EPSL and FMLA+, the broader FMLA definition will apply, so the definition of *child* under the FFCRA will also include a child 18 years of age or older with a mental or physical disability who is incapable of self-care due to the disability.

Documentation

Though employers may take FFCRA tax credits now, they still have to support their credits with appropriate documentation. In earlier guidance, the Department of Labor punted on what documentation would be necessary, pointing to the IRS. The IRS's guidance now offers some clarity on that point.

Guidance can be found here: <https://www.irs.gov/newsroom/covid-19-related-tax-credits-for-required-paid-leave-provided-by-small-and-midsize-businesses-faqs>

Job Restoration Rights Expand & Contract: Although the FFCRA discusses job restoration rights in the FMLA+ context only, the DOL says job restoration rights will be available to employees who take EPSL as well.

Specifically, if applicable, employers must provide employees using EPSL or FMLA+ the same or equivalent job they held before taking leave ("classic" FMLA job restoration rules). The DOL reinforces, however, that if an employer lays off an employee for a legitimate business reason during leave, the employee does not have such a right to reinstatement.

The Emergency Paid Sick Leave Act (EPSLA)



Mandates employers pay employees **80 hours of sick leave** if an employee is unable to work or remotely work for six clearly defined reasons:

- 1 The employee is subject to a federal, state or local quarantine, or isolation order related to COVID-19;
- 2 The employee has been advised by a health care provider to self-quarantine due to concerns related to COVID-19;
- 3 The employee is experiencing symptoms of COVID-19 and seeking a medical diagnosis;

- 4 The employee is caring for an individual who is subject to a local quarantine or isolation order, or has been advised by a health care provider to self-quarantine due to concerns related to COVID-19;
- 5 The employee is caring for a son or daughter of such employee if the school or place of care of the son or daughter has been closed, or the childcare provider of such son or daughter is unavailable, due to COVID-19 precautions; or
- 6 The employee is experiencing any other substantially similar condition specified by the Secretary of Health and Human Services in consultation with the Secretary of the Treasury and the Secretary of Labor.

Tax Credits for EFMLA & EPSLA



Private employers with 500 or fewer employees required to provide COVID-19-related paid leave are eligible for a

100% REFUNDABLE
PAYROLL TAX CREDIT
ON THE WAGES PAID FOR LEAVE.

The CARES Act does not change the basic structure of the existing UI system. Rather, it adds five key features to the existing UI system:

1. Expands the eligibility for UI benefits for COVID-19-related reasons
2. Adds 13 additional weeks of eligibility (for up to 39 weeks of benefits)
3. Adds a flat \$600 to the WBA (known as “Federal Pandemic Unemployment Compensation”)
4. Encourages states to loosen certain restrictions on UI such as the one-week waiting period and looking-for-work requirements
5. Supports both existing and the creation of work-share programs (also called “short-term compensation” programs)



9 Reasons for Application of Unemployment

1. Been diagnosed with COVID-19 or are experiencing symptoms of COVID-19 that require a medical diagnosis.
2. A member of their household has been diagnosed with COVID-19.
3. Providing care for a family member or member of their household who has been diagnosed with COVID-19.
4. A member of their household for which they have primary caregiving responsibility is unable to attend school or another facility that has been closed as a direct result of the COVID-19 public health emergency and because of this closure they are unable to work.
5. Unable to work because of a quarantine imposed as a result of the COVID-19 public health emergency.
6. Unable to work because they have been advised to self-quarantine by a health care provider.
7. Scheduled to start a job but are unable to do so as a result of the COVID-19 public health emergency.
8. Become a “major support for a household” because the breadwinner in the household has died as a direct result of COVID-19.
9. Quit their job as a direct result of COVID-19.

\$600 Flat Payment

Determining entitlement to FPUC.

States will calculate the weekly benefit amount, for the programs outlined above.

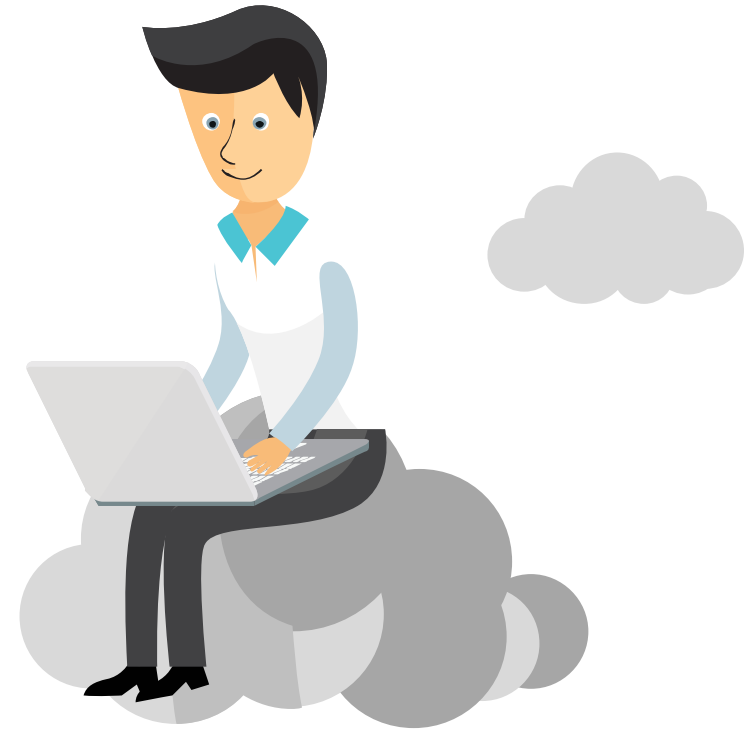
If the individual is eligible to receive at least one dollar (\$1) of underlying benefits for the claimed week, the claimant will receive the full \$600 FPUC.

If the individual's earnings for the week exceed the weekly benefit amount (WBA), then the individual receives \$0 in regular UC benefits for that week even though the person is otherwise eligible for regular UC. In such case, the employee also does not receive the \$600.

State Specifics



Will my employees come
back to work?





Tax Provisions

Anthony J. Licavoli Jr., CPA

Deadline & Payment Postponement

- Due date for filing Federal income tax returns and making Federal income tax payments due April 15, 2020, is automatically postponed to July 15, 2020
- There are no limitations on the amount of payments that can be postponed
- The postpone of Federal income tax payments only applies to tax due for the 2019 taxable year and 2020 1st quarter estimates due April 15, 2020
- Interest, penalties, and additions to tax for failure to file or failure to pay, will not be assessed on any applicable postponed payment amount from April 15, 2020 through July 15, 2020

Recovery Rebate

- \$1,200 for single individuals or \$2,400 for married couples filing a joint return
- \$500 per qualifying child
- Subject to income phaseouts based on adjusted gross income:
 - Single: \$75,000 - \$99,000
 - Head of Household: \$112,000 - \$136,500
 - Married Filing Joint: \$150,000 - \$198,000
- Based on 2018 return or 2019 return if already filed

Student Loans Paid by Employers

- Up to \$5,250 income exclusion for employees

Retirement Plans

- Waiver of 10% early withdrawal penalty for eligible amounts up to \$100,000
- Withdrawn amounts can be recontributed within three years without regard to any contribution limitations
- Loans up to lessor of \$100,000 or the present value of their vested benefits
- Temporary waiver of required minimum distributions for 2020

Charitable Contributions

- Above-the-line deduction for up to \$300 of contributions
- Income-based limitations temporarily lifted for 2020

Employee Retention Credit

- Refundable payroll tax credit up to 50% of eligible wages paid by an eligible employer
- Eligible Employer – Demonstrate operations were impacted by COVID-19 government orders or have to have a greater than 50% reduction in quarterly gross receipts
- Qualified wages depend on employer size but cannot exceed \$10,000 per employee
- Limitations/exclusions apply if utilizing other credits or relief provisions

FICA Tax Deferral

- Employers can defer paying a portion of certain payroll taxes through 2020
- Amount deferred due 50% by Dec. 31, 2021 and 50% by Dec. 31, 2022

Net Operating Loss (NOL) Modifications

- Carryback NOLs up to five years
- Applies to 2018, 2019 & 2020
- 80% taxable income limitation is suspended until 2021

Excess Business Loss Limitation Suspension

- Noncorporate loss limitation rules suspended until 2021
- Applies to 2018, 2019 & 2020

Corporate Credit for Prior-Year Minimum Tax

- Allows corporate taxpayers to accelerate recovery of remaining credits

Business Interest Limitation Modifications

- Limitation increased from 30% to 50% of adjusted taxable income
- 2019 adjusted taxable income can be used for 2020 limitation calculation

Qualified Improvement Property (QIP) Technical Correction

- QIP is now 15 year property eligible for bonus depreciation
- Applies to property placed in service after Dec. 31, 2017

Corporate Charitable Contribution

- Income-based limitations increased from 10% to 25%

Q & A

Let's Connect



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