

The CARES Act Summary

Direct Payments to Americans:

One-time cash rebate of \$1,200 per eligible individual (\$2,400 for joint files) and \$500 per child – for income less than \$75,000 (\$150,000 for joint filers); based on 2018 or 2019 tax filings; phased down as income increases no rebate for earning \$99,000 or more (\$198,000 for joint filers)

Expansion of Unemployment Insurance Program:

1. An additional \$600 per week for up to four months, through July 31– in addition to the UI payments available through the state program; for 11 specific coronavirus reasons, similar to FFCRA
2. Unemployment insurance available for an additional 13 weeks – from 26 to 39 weeks
3. UI now available to independent contractors and self-employed

Health Care Changes:

1. All testing for COVID-19 to be covered by private insurance plans, both fully-insured and self-insured, without cost sharing – including any service or item provided during an in-person or telehealth visits with a doctor, urgent care, or ER that result in CV testing or screening
2. Allows an HSA to cover telehealth services prior to a patient reaching the deductible – only available through 12/31/21
3. Allows use of certain OTC medical products to be paid for using HSAs, FSAs and other similar accounts without a prescription

Paycheck Protection Program:

Under the CARES Act the Small Business Administration (SBA) will administer a modified SBA 7(a) forgivable loan program to fund loans to Companies to keep their employees in lieu of massive layoffs and other working capital needs.

- This program is called the Paycheck Protection Program.
- Any qualified SBA 7(a) lender may elect to participate in this program.
- Many financial intuitions are preparing themselves to accept your applications. It is our understanding that the application process will be streamlined and that the intentions are to fund these loans as quickly as possible

Economic Injury Disaster Loans:

If you have suffered substantial economic injury and are one of the following types of businesses located in a declared disaster area, you may be eligible for an SBA Economic Injury Disaster Loan (EIDL):

- Small Business
- Small agricultural cooperative
- Most private nonprofit organizations

Loan Amounts and Use:

Substantial economic injury means the business is unable to meet its obligations and to pay its ordinary and necessary operating expenses. EIDLs provide the necessary working capital to help small businesses survive until normal operations resume after a disaster.

The SBA can provide up to \$2 million to help meet financial obligations and operating expenses that could have been met had the disaster not occurred. Your loan amount will be based on your actual economic injury and your company's financial needs, regardless of whether the business suffered any property damage.

Employee Retention Credit:

The CARES Act establishes an employee retention credit for businesses that have been forced to shutdown by the COVID-19 pandemic.

- Eligible employers closed or partially closed during the coronavirus pandemic can take a credit against payroll taxes equal to 50% of qualified wages up to \$10,000 in wages and health benefits for each employee
- Credit allowed against employer FICA taxes
- Employers with greater than 100 employees
 - Qualifying wage amounts between March 12, 2020 and before December 31, 2020 when not able to provide services due to closed or partially closed business
- Employers with less than 100 employees
 - All wages paid between March 12, 2020 and before December 31, 2020 qualify for credit
- If taking loans under SBA 7(a) program, retention credit is not allowable

Payroll Tax Delay:

- Delays payment of 2020 employer payroll taxes (the 6.2% portion) with 50% due December 31, 2021 and the remainder due December 31, 2022
- Same delayed payment schedule for self-employment taxes
- Company would use any employee retention credit first to offset FICA tax
- If taking loans under SBA 7(a) program, payroll tax delay is not allowable

Retirement Plans impact:

The act provides taxpayers a break on penalties for early distributions from retirement plans related to the pandemic.

- Take up to \$100,000 in distributions from plans for pandemic-related distributions without 10% penalty for early distribution
- Bill allows distribution income to be taxed over three years or repaid back to the plan over three years with no taxation
- Suspends RMD (required minimum distributions) for 2020
- Allows retirement plans to make amendments and adopt these rules immediately, even if the plan does not currently allow for hardship distributions or loans

Net Operating Losses (NOLs):

- 2018, 2019 and 2020 net operating losses can elect a five-year carryback

Emergency Paid Family and Medical Leave Amendments:

- Employees who worked for at least 30 days and were laid off on or after March 1, 2020, do not need to wait an additional 30 days to apply for Emergency Family Medical Leave.
- An employer's requirement to provide Emergency Paid Sick Leave (EPSL) to an employee ceases when the employer has paid the employee for paid EPSL or upon the employee's return to work after taking EPSL

Education Assistance:

- Allows employers to provide a student loan repayment benefit of up to \$5,250 annually to employees on a tax-free basis. Applies to any student loan payments made by an employer on behalf of an employee after the date of enactment and before January 1, 2021.

**This information is provided from The EA and Gilmore, Jasion, & Mahler, Ltd. webinar on 3/30/2020.*