



Small Business Relief Webinar 03/30/2020

Presenters:

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Introduction: Webinar Objective

1. Answer questions
2. Overview of Key Provisions
3. Action Items for Employers/Businesses Affected by COVID-19
4. What you need to do now
5. To be continued...Guidance still coming from IRS, DOL, EDD, etc.
6. Ask questions throughout the webinar using the chat feature
7. Updates being posted almost daily to: <https://prospecttax.com/covid-19/>

Government's Objective with new legislation: Keep workers on your payroll.

Topics

1. Introduction
2. **Payroll Protection Loans**
3. **Economic Injury Disaster Loan**
4. Payroll Tax Deferrals
5. Employee Retention Credit
6. Cash-Flow Strategies
7. Unemployment Insurance
8. Families First Act --New employer requirements, tax credit to cover wages
9. Tax Law Changes in the CARES Act
10. Individual Stimulus Payments
11. Q & A

Payroll Protection Program Loan

Federal government has created a new SBA loan under Sec 7(a) for the purpose of assisting small business with continuing to pay employees. Key features of the loan are:

- 100% guaranteed by SBA
- Doesn't require a personal guarantee or any collateral
- All loan and application fees waived
- Portions of loan can be forgiven if used for qualifying costs

Payroll Protection Program Loan

Who is eligible?

- Businesses and non-profits that employ fewer than 500 employees
- Certain Sole-Proprietors and Independent Contractors

Payroll Protection Program Loan

An applicant for a covered loan is required to make a good faith certification:

- that the uncertainty of current economic conditions makes necessary the loan request to support the ongoing operations of the applicant
- acknowledging that funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments and utility payments

Payroll Protection Program Loan

What will the amount of the loan be?

- The average monthly payroll cost for the period of February 15, 2019 to June 30, 2019 multiplied by 2.5.
- Essentially 2.5 times the average monthly payroll from the 2019 period above.

Payroll Protection Program Loan

What can the loan be used for?

- Payroll costs
- Group health care during periods of paid sick, medical or family leave
- Interest on any mortgage obligation
- Rent
- Utilities
- Interest on other debt that existed before 02/15/20.

Payroll Protection Program Loan

What is included in “Payroll Costs”?

- salary, wage, commission, or similar compensation
- payment of cash tip or equivalent
- payment for vacation, parental, family, medical, or sick leave
- allowance for dismissal or separation
- group health care benefits, including insurance premiums
- payment of any retirement benefit
- payment of State or local tax assessed on the compensation of employees
- the sum of payments of any compensation to or income of a sole proprietor or independent contractor that is a wage, commission, income, net earnings from self-employment that is not more than \$100,000 in 1 year, as prorated for the covered period

Payroll Protection Program Loan

What's not included in "Payroll Costs"?

- Compensation of employees who earn more than \$100,000 (appears this will include a look back to 2019)
- Compensation of employees who reside outside the US
- Sick leave wages that qualify for the employment tax credit
- Family leave wages that qualify for the employment tax credit

Payroll Protection Program Loan

What will be forgiven?

Eligible costs incurred for an 8 week period from the loan origination date, including:

- Payroll costs
- Interest on mortgages
- Rent
- Utility payments

Forgiven loan amounts will not be treated as taxable income

Payroll Protection Program Loan

Limits on loan forgiveness

- The amount of forgiveness is limited by the percentage of full-time equivalent (FTE) employees for the covered period compared to the same 2019 period.
- For example: If your average FTE for February 15 to June 30, 2020 is 5, and your average FTE for February 15 to June 30, 2019; then your loan forgiveness is potentially reduced by 50%

Payroll Protection Program Loan

What are the repayment terms?

For amounts not forgiven, the following terms apply:

- Payments of principal and interest are waived for 6 months and up to 1 year.
- Interest rate will be 4%
- Maximum repayment term is up to 10 years

Payroll Protection Program Loan

How do you apply?

- Your local bank
- Any SBA approved lender
- <https://sbacares.boefly.com/> Online lender vetted by Payroll Vault.

Economic Injury Disaster Loans (EIDL)

The SBA's EIDL 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.

Small business owners are eligible to apply for an EIDL advance of up to \$10,000. Funds will be made available within three days of a successful application, and this loan advance will not have to be repaid, if spent on paid leave, maintaining payroll, increased costs due to supply chain disruption, mortgage or lease payments or repaying obligations that cannot be met due to revenue losses

Economic Injury Disaster Loans (EIDL)

How do I apply?

- Apply on sba.gov
- <https://covid19relief.sba.gov/#/>
- Approval can be granted solely based on credit score

Can a business get both an EIDL and PPP loan?

Yes, small businesses can get both an EIDL and a Paycheck Protection Program loan as long as they don't pay for the same expenses.

Payroll Tax Deferrals

Coronavirus Aid, Relief, and Economic Security Act (CARES) - Section 2302

- Employer's share of Social Security tax (6.2%) may be deferred
- Deferral does **not** apply to Medicare or Federal Unemployment (FUTA)

State of California (EDD)

- Employers may request an extension of up to 60 days to file payroll reports and deposit state payroll taxes - **Request MUST be done in writing**
- State payroll taxes include: Unemployment Insurance (UI); Employment Training Tax (ETT); State Disability Insurance (SDI) and Personal Income Tax (PIT)

Employee Retention Credit

- Provision of the CARES Act
- Eligibility
 - Fully or partially ‘suspended’ businesses,
 - Businesses that stayed open but experienced at least a 50% reduction in gross receipts
- Eligibility determined quarterly
- Credit against Social Security portion of payroll taxes employers pay
- Up to 50% of qualified wages paid to employees during COVID-19 Pandemic
- We are waiting for guidance from the IRS
- This is going to be a credit that is taken advantage of when the ‘dust settles’
- Objective is to keep employees ‘retained’ by employers through economic uncertainty.
- If a client of Prospect, you can bet this is something we will apply for if you qualify.

Cash Flow Strategies

- Start the Application for the PPP Loan and the EIDL Loan immediately (\$10,000 could come in 3 business days)
- Contact your lenders/landlord/creditors
 - Relief is being provided by some mortgage companies, auto loan companies, credit card companies to delay payments
 - Discuss waiving of late fees and negative impact to credit
- Take advantage of payroll tax deferral---but don't let the balance build up too much
- Temporarily layoff employees while you await cash from PPP/EIDL then rehire to take advantage of loan forgiveness. Expansion of UI is helpful
- Consider cutting back owner's salary and taking UI while awaiting PPP/EIDL
- Penalty free distribution from retirement--- $\frac{1}{3}$ subject to tax each year over 3 years. Won't be taxed if re-contributed within 60 days

Unemployment Insurance Info for Self-Employed & Employers

- If you've had a significant decrease in income:
 1. Self-Employed with no payroll can now apply for UI
 2. Self-Employed with payroll should apply
 3. Take into consideration the loans Joel discussed.
- UI Rate for employers will not increase if lay offs.
- Can apply for UI if hours reduced, lay off, furloughed.
- https://www.edd.ca.gov/about_edd/coronavirus-2019/faqs.htm
- Employees: UI is expanded to 39 weeks and an additional \$600/week
- Consider laying off employees while you await loans from SBA
- Unemployment Benefits Max is \$1050/week for 39 weeks in CA.

Families First Coronavirus Response Act (FFCRA)

FFCRA Paid Leave Provisions - effective April 1, 2020 - The Act mandates two forms of paid leave for employees of employers of 500 or fewer employees.

- Applies to leave taken between April 1, 2020 - December 31, 2020
- 80 hours of paid sick leave for eligible employees who:
 - Are unable to work because of Coronavirus quarantine or
 - Self-quarantined or
 - Has Coronavirus symptoms and is seeking diagnosis
- An employee who is caring for a child under the age of 18 whose school or place of care has closed or whose child care provider is unavailable due to the Coronavirus emergency is eligible for up to 10 weeks of paid child care leave (following an initial 10 days of leave)

Families First Coronavirus Response Act (FFCRA)

Payroll Tax Credits

- Employers required to provide leave under either provision of the Act may receive refundable credits against the employer share of social security taxes due on other wages. Employers may claim a refundable sick leave credit for sick leave and a refundable child care leave credit equal to the amount of paid leave the employer was required to provide under the Act. In addition, employers are entitled to an additional tax credit determined based on costs to maintain health insurance coverage for an employee during the required leave period and for the employer-share of Medicare tax on the amount of required paid leave.

Tax Law Changes

- Up to \$100,000 of retirement plan withdrawals from 01/01/20 to 12/31/20 will be exempt from the early withdrawal penalty. Additionally, the income from the withdrawal can be recognized over a 3 year period.
- Net operating loss carrybacks (suspended starting in 2018) can now be carried back. Loss can be applied to a previous profitable tax year in order to produce a refund. We will evaluate potential candidates and contact you.
- Required Minimum Distributions (RMD) from retirements plans can be suspended for 2020.

Individual Stimulus Payments

- \$1200/taxpayer & \$500/dependent
- Income Limitations/Phase Out Range
 - Single Taxpayers.....\$75,000-\$99,000
 - Married Filing Joint.....\$150,000-\$198,000
 - Head of Household.....\$112,500-\$136,500
 - Add \$10,000 to phase out max for each dependent
- Income Based on 2019 or 2018.
- Strategy if you haven't filed 2019 yet.
- Stimulus Payments are an advanced tax credit.
- Stimulus Payments will be direct deposited mostly.
- Who gets the stimulus payment? Who does not?



Questions?

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