



COVID-19 Legislation

FOR THE HEALTH OF YOUR
BUSINESS



John Hettwer
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Goal of the Federal Government

1. Put the economy on a “deep freeze” until this passes
2. Incent business owners to maintain employment relationships with their employees in order to minimize recovery time: recruiting, hiring, training



Process of COVID-19 Bills

1. Congress passes legislation and President signs
2. Agencies (IRS, Dept. of Labor, SBA) issue guidance on how to administer law passed by Congress
3. Attorneys, banks, payroll/HR companies develop plans to provide counsel and assist in execution
4. Execution by small business owners



Recent Legislation

Bill #1 Coronavirus Preparedness and Response Supplemental Appropriations Act

- Passed March 5, 2020
- \$8.3 Billion to combat Coronavirus (for the medical industry)



Recent Legislation

Bill #2 HR 6201 – Families First Coronavirus Response Act (FFCRA)

- Signed March 18, 2020
- Effective April 1 (previously April 2) – December 31, 2020
- Applies to Public Agencies regardless of size and Private Entities with 1-499 employees



Recent Legislation

Bill #3 Coronavirus Aid Relief & Economic Security Act (CARES Act)

- Passed March 27, 2020
- \$2.2 Trillion stimulus package
- Effective immediately (retroactive to 2/15/2020)



Reasons for Unemployment

Furlough	Layoff	Reduction in Force (RIF)
<ul style="list-style-type: none">■ Temporary or short-term unpaid leave■ Ongoing employment relationship■ Continued benefits without pay *	<ul style="list-style-type: none">■ Employee terminated (even temporarily); complete separation from company	<ul style="list-style-type: none">■ Position eliminated without intention of replacing it

Note: If any of the above happened prior to March 31, FFCRA does not apply.

HR 6201 Families First Coronavirus Recovery Act (FFCRA)

Two primary components:

1. Emergency Paid Sick Leave – expands sick leave requirement related to COVID-19 (100% wages paid)
2. Emergency Family Medical Leave – expands family leave requirement for affected businesses (2/3 wages paid)

NOTE: Exemption available for cases that could put the ongoing concern in jeopardy



FFCRA – Emergency Paid Sick & Medical Leave

Reason	Duration	Paid Leave
<ul style="list-style-type: none"> Under quarantine order by gov't. Advised to self-quarantine Experiencing symptoms; awaiting diagnosis 	80 hours	100% pay up to \$511 daily and \$5,110 total
<ul style="list-style-type: none"> Caring for someone in quarantine Similar condition by US DHHS 	10 days	2/3 pay up to \$200 daily and \$2,000 total
<ul style="list-style-type: none"> Caring for child(ren) with no school or childcare option 	12 weeks	2/3 pay up to \$200 daily and \$12,000 total

NOTE: Employers of health care providers or emergency responders may elect to exclude workers from emergency paid sick leave requirements



FFCRA – Emergency Paid Sick & Medical Leave

- Part-time employees pay equal to number of hours worked on average over two-week period.
- Must be employed at least 30 days prior to leave
- 10-day waiting period; employers cannot require employees to use other paid leave first, i.e., vacation, PTO
- The same reinstatement provisions apply as traditional FMLA with some exceptions for companies with fewer than 25 employees



FFCRA – Tax Reimbursement Plan

Employers retain payroll taxes equal to amount of qualifying sick or child care leave paid rather than depositing with the IRS.

Example 1: Employer paid sick leave for 5 employees \$5,000
Total payroll tax liability for pay period \$8,000
Employer deposits to IRS \$3,000

Example 2: Employer paid sick leave for 5 employees \$10,000
Total payroll tax liability for pay period \$8,000
Employer's refund on IRS 941 \$2,000



FFCRA – Emergency Paid Sick & Medical Leave

- Employers must post notice of employee rights; posted or distributed electronically via email or portal



The Families First Coronavirus Response Act (FFCRA or Act) requires certain employers to provide their employees with paid sick leave and expanded family and medical leave for specified reasons related to COVID-19. These provisions will apply from April 1, 2020 through December 31, 2020.

► **PAID LEAVE ENTITLEMENTS**

Generally, employers covered under the Act must provide employees:

Up to two weeks (80 hours, or a part-time employee's two-week equivalent) of paid sick leave based on the higher of their regular rate of pay, or the applicable state or Federal minimum wage, paid at:

- 100% for qualifying reasons #1-3 below, up to \$511 daily and \$5,110 total;
- ⅔ for qualifying reasons #4 and 6 below, up to \$200 daily and \$2,000 total; and
- Up to 12 weeks of paid sick leave and expanded family and medical leave paid at ⅓ for qualifying reason #5 below for up to \$200 daily and \$12,000 total.

A part-time employee is eligible for leave for the number of hours that the employee is normally scheduled to work over that period.





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COVID 19 CARES ACT

Coronavirus Aid, Relief, and Economic Security Act Details (CARES Act)

- Largest single injection of federal cash into the economy in U.S. history.
- 10% of America's total economic output for an entire year.
- Many economists believe it will need to be followed by a fourth phase and possibly more after that, depending on when the country returns to something resembling normal business



Paycheck Protection Program

Expansion of SBA's 7(a) Loan Program to Support New "Paycheck Protection Program" Loans

The SBA's existing 7(a) program will see:

- Increase in maximum loan amount to \$10 million.
- Allowable uses expanded to include:
 - Payroll wages (including paid sick or medical leave)
 - For employees earning >\$100,000, use \$100,000
 - Payroll costs (health insurance, company-provided benefits, including retirement match)
 - Mortgage, rent and utility payments
 - Insurance premiums
 - Other debt obligations



Loan Forgiveness

Certain borrowers would be eligible for loan forgiveness equal to the amount spent during an eight-week period after the origination date of the loan on:

- Payroll costs
- Interest payment on any mortgage incurred before Feb. 15, 2020
- Rent on any lease in force before Feb. 15, 2020
- Utilities for which service began before Feb. 15, 2020

The amount forgiven would be reduced in proportion to any reduction in employees retained compared to the prior year and to the reduction in pay of any employee beyond 25% of prior year compensation.



Unemployment Provisions

Under the CARES Act, the federal government will provide:

- \$600 per week in addition to regular state unemployment benefits
- First week of unemployment in states where the 1-week waiting period is waived
- Up to 13 weeks of additional benefits at \$600/week, increasing the common 26-week maximum for most states to 39-weeks.
- 100% reimbursement for states' Short-Term Compensation (STC) program – for employees whose hours are reduced in lieu of layoff and receive prorated unemployment benefits –through 12/31/2020. New STC programs funded at 50%.



Payments To Individuals

All U.S. residents with adjusted gross income up to \$75,000 (\$150,000 for married couples) will receive:

- \$1,200 per individual (\$2,400 for couples) “rebate” payment
- Additional \$500 per child
- Payments start phasing out above those income thresholds and will not go to:
 - Single filers earning more than \$99,000
 - Head-of-household filers with one child earning more than \$146,500
 - Joint filers with no children earning more than \$198,000



Business Provisions

Tax Credits for Retaining Payroll

- Tax credit for businesses keeping idled workers on payroll during COVID-19, if businesses meet certain criteria. Provides refund for half of what they spend on wages, up to \$5,000 per worker.
- The 6.2% Employer Social Security tax will be delayed and extended over the next two years; 50% due at end of 2021 and remaining taxes due at end of 2022.
- To qualify, businesses have to prove they took a 50% loss compared to the same quarter in years past
- To prevent double-dipping on aid in CARES Act, no SBA loans if they opt for the tax credit.

Business Tax Cuts

The relief package includes expanded tax deductions for interest, rising from 30% to 50%; expands the ability to deduct losses from taxable income.





John Hettwer

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Unemployment
due to
COVID-19

State Unemployment Insurance (SUI) due to COVID-19

- Employer's unemployment (SUI) tax rate will not be affected in many states due to COVID-19 claims (including NC and SC)
- Employers must provide employees information on how to apply for unemployment
- Employers can file an "Attached Claim" (in many states) for employees who were furloughed or worked less than 60% of scheduled full-time hours. (NC DES not recommending this.)



State Unemployment Insurance (SUI) due to COVID-19

- Typical 1-3 week waiting period (waived NC & SC and many other states)
- Requirement to search for work waived for \$600 Federal benefits; (NC & SC waiving it as well as many other states)
- For state-specific unemployment benefits, refer to <https://www.careeronestop.org/LocalHelp/UnemploymentBenefits/Find-Unemployment-Benefits.aspx>



Calculating COVID-19 Unemployment Benefits

Employee's total wages for last two quarters divided by 52 up to state maximum (NC=\$350/week; SC=\$326/week) and add \$600 from CARES Act

Example: Joe's wages in 3Q2019 and 4Q2019	\$14,560
	<u>% 52</u>
Joe's weekly state unemployment benefit	\$ 280
CARES Act benefit	<u>\$ 600</u>
Joe's total weekly unemployment benefit	\$ 880





Jim Engel

PRESIDENT AND CEO
AQUESTA BANK



Loans available
through
CARES Act

CARES ACT Immediate Relief

Current 7A Loans Outstanding or **New** 7A Loans

- **Government will Make Your Next 6 months of payments**
- Not application to File to Receive this Benefit
- Also, these loans are eligible for 3 to 6 month deferral of payments
- New Loans made between 3/27/20 and 9/27/20.
- Max 7A Loan Size of \$10 million
- Max Loan Size for 7A Express Lines of Credit Increased to \$1 million

Treated just as if borrower made the payments

6 Month Payment Tacked on to any pre-existing deferral granted by lender



Cares Act: Benefits to Keep Employment- Paycheck Protection Program

100 Percent US Gov't Guaranteed Loan

Amount: 2.5 times your business's monthly average salary expense

Interest Rate: 0.5 Percent

Payment Terms: No payments due for 6 to 12 months.

Term: 2 years

Fees etc.: No bank fees, no SBA guarantee fees, no personal guarantee required, no collateral required



CARES Act Benefits

Up to 100 Percent of the Loan Amount will be **Forgiven**

- Amount Forgiven: the amount equal to the total of the business's expenses for payroll, utilities, and rent or mortgage interest for the 8 week period after the loan is granted.

What Documentation is Needed: details not known yet. Likely payroll records, mortgage statements and the like.

- Also, must ATTEST to the fact that your business was injured by CV19. We suggest documenting revenue or sales decreases compared to prior year results.
- Details: in measuring payroll for purposes of loan forgiveness, only individual compensation under \$100k is considered

Other: no credit checks, no tax returns, and no personal financial statements will likely be needed



CARES Example

Business has average monthly payroll of \$150,000. It attests that CV19 has negatively impacted the business.

- Receives a loan for \$375,000. (2.5 times monthly average)
- Next 8 weeks is incurs eligible (less than \$100k individuals) payroll expense plus rent and utilities of \$350,000.

Result: Loan balance is reduced to \$25,000 and amortized over 10 years at 4 percent. First loan payment is due 12 months later.

Unknowns: Does interest accrue during the 8 weeks prior to loan forgiveness; what documentation required prior to applying, what documentation is need for loan forgiveness, Does payroll include benefits?



"This is a very popular program with Republicans and Democrats, and the president likes it a lot," he said. "If we run out of money, and this is a huge success, we will absolutely go back to Congress and ask for more money."

"And by the way, it makes economic sense," he continued. "Because every person we put through this program, we don't have to pay unemployment insurance."

-- Steven Mnuchin, Treasury Secretary



A wooden pencil with a dark lead tip lies diagonally across the top left of the image. Below it is a document featuring a line graph with a grid. The graph has a vertical axis with labels '100' and '50', and a horizontal axis with labels '93' and '98'. The background is a soft-focus, light-colored surface.

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Questions?