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clients and our team members

CARES Act: What You Need To Do NOW!

April 2, 2020 at 2:00PM – 3:00PM

Agenda

- Coronavirus Impact Resources & Updates
 - Tax
 - Loan Programs
 - HR
- Message from our Managing Principal, Wendy Kelly
- Q&A

Our Experts



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Tax Topics - Individual

- Recovery Rebates
- Retirement Fund Withdrawals
- Required Minimum Distribution (“RMD”)
- Charitable Contributions
- Student Loans
- Loss Limitations
- Extensions of time to file and pay



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Recovery Rebates

- A credit for 2020 income taxes is available for \$1,200 per person, or \$2,400 for joint returns.
- 5% phase-out for high-income taxpayers
 - Begins at \$75,000 for single or married filing separately (MFS) and \$150,000 for joint filers.
 - Full phase-out occurs at \$99,000 for single taxpayers and \$198,000 for joint filers.
- An advanced credit will be issued soon based on the income reported on the 2019 tax return, or 2018 if the 2019 tax return has not been filed.

Retirement Fund Withdrawals

- A taxpayer is eligible to take a penalty-free withdrawal up to \$100,000 from a qualified retirement account if any of the below conditions are met.
 - Taxpayer, spouse, or dependent is diagnosed with the virus.
 - Adverse financial consequences
 - Furloughed
 - Laid off
 - Unable to work due to child-care
 - Closing a business due to the virus

Required Minimum Distribution (“RMD”)

- For calendar year 2020, there are no RMDs required.
- The Setting Every Community Up for Retirement Enhancement (“SECURE”) Act became law as of January 1, 2020. Under this law, the below retirement information changed.
 - The required age for minimum distributions increased from 70 ½ to 72.
 - There is no longer an age limit for IRA contributions, which was set to 70 ½ before this act.
 - Inherited IRA’s must be paid out within 10 years. Before, this could be spread over the course of the beneficiary’s life.
 - Withdrawals under the age of 59 ½ are subject to a 10% penalty, however, there are certain exceptions to this. One new exception added is up to a \$5,000 withdrawal after the birth or adoption of a child.
 - Part time employees are now eligible for a 401(k) plan if they work at least 500 hours over 12 months. Under the old rules, this was 1,000 hours.

Charitable Contributions

- For income tax year 2020, there is now an unlimited amount of charitable contributions allowed as itemized deductions.
 - Donations to donor advised funds do not qualify.
- Any taxpayer who does not itemize is allowed up to a \$300 deduction in computing adjusted gross income (“AGI”).



Student Loans

- Certain student loans are eligible for payment deferral through September 30, 2020.
 - Interest shall not accrue during this deferral.
- Employers are allowed to pay an employee or lender for any principal or interest on eligible student loans up to \$5,250 through January 1, 2021. This would be labeled a nontaxable fringe benefit to the employee.



Loss Limitations

- Business losses reported on an individual's income tax return occurring after December 31, 2017 are limited to \$250,000 (\$500,000 for joint filers).
- Postponed until tax years beginning January 1, 2021.
- Net Operating Losses (NOLs) generated after December 31, 2017 through December 31, 2020 are eligible for a 5 year carryback.

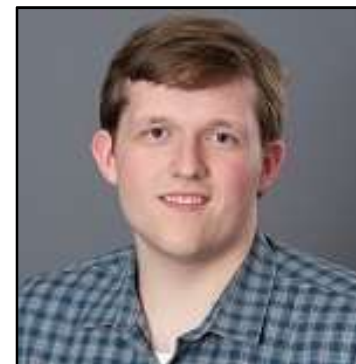


Extensions of Time to File and Pay

- Under IRS Notice 2020-17 and 2020-18, taxpayers with tax returns and payments of April 15, 2020 received postponed dates of July 15, 2020.
 - Payments under \$10,000,000 for C corporations are postponed.
 - Payments for other taxpayers is up to \$1,000,000.
 - Extended due dates (October 15, 2020) do not change.
- Gift tax returns have also received extensions of time to file and pay.
- All other informational returns due on April 15th have not received an extension of time to file.
- Payments to Individual Retirement Accounts and Health Savings Accounts are also postponed through July 15, 2020.

Tax Topics - Business

- Employee Retention Credit
- Charitable Contributions
- Employer Payroll Tax Deferral
- Net Operating Loss (“NOL”)
- Alternative Minimum Tax (“AMT”) Credit
- Business Interest Expense Limitation
- Qualified Improvement Property (“QIP”)
- Payroll tax credit for sick and family leave
- Loan Forgiveness



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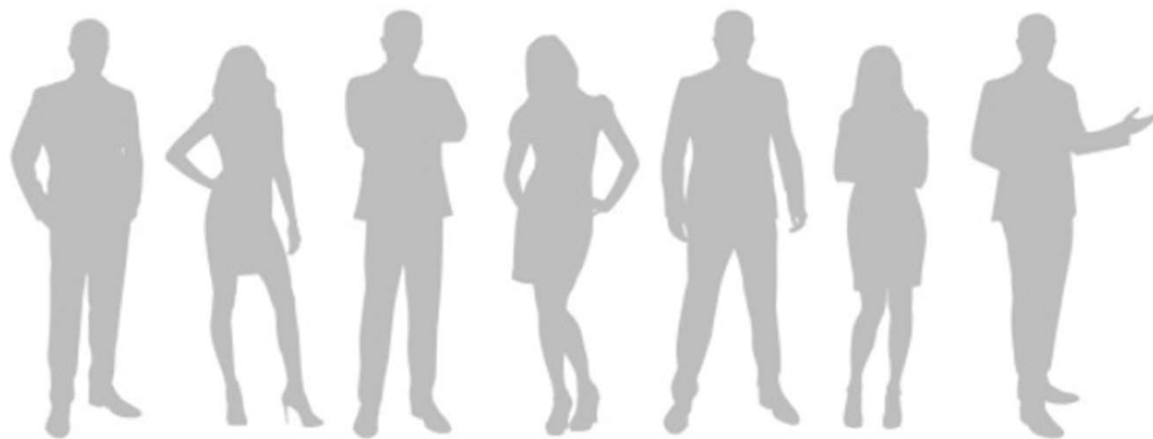
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Employee Retention Credit

- Eligible employers can receive a 50% credit on employee wages up to a \$10,000 limit to offset against Social Security payroll taxes.
 - Only the employer's portion of Social Security can be offset.
- Eligible Employers:
 - Business is fully or partially suspended
 - If gross receipts compared to the 2019 tax year quarter have decreased by at least 50%.



Charitable Contributions

- Corporations are allowed a charitable contribution deduction up to 25% of taxable income.
- Previously limited to 10% of taxable income.



Employer Payroll Tax Deferral

- The employer portion Social Security payroll taxes are allowed to be deferred through December 31, 2020.
- Half of the deferral must be paid by December 31, 2021 with the remainder due by December 31, 2022.
- If debt is forgiven under the CARES act, then no deferral is allowed.
- A credit will likely be available on the quarterly payroll returns, however, no guidance has been issued yet.

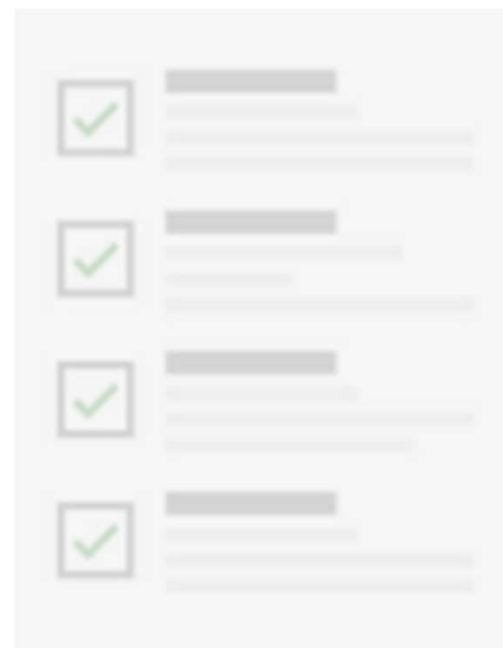
Net Operating Loss (“NOL”)

- Any losses generated after December 31, 2017 are subject to an 80% taxable income limitation.
 - This has been amended to be losses generated for years beginning on or after January 1, 2021.
- Carryback of losses is available
 - 5 year carryback
 - Applies to losses generated in tax years after December 31, 2017 through December 31, 2020



Alternative Minimum Tax (“AMT”) Credit

- Any AMT previously paid was refundable for 50% each year for 5 years beginning with tax year 2018.
- Amended for 50% refundable each 2018 and 2019.
- An election can be made to make the credit 100% refundable in 2018.



Business Interest Expense Limitation

- Interest expense can be limited if interest exceeds 30% of adjusted taxable income.
- Amended to be 50% of adjusted taxable income for tax years 2018 and 2019.
- An election can be made to use the adjusted taxable income of 2019 for tax year 2020.

Qualified Improvement Property (“QIP”)

- Technical correction to the Tax Cuts and Jobs Act (TCJA)
- Property placed in service meeting the following criteria is eligible for a 15 year recovery period.
 - Interior improvements
 - Non-structural
 - No elevators or escalators
 - Non-residential real property



Payroll Tax Credit For Sick and Family leave

- Under the Families First Coronavirus Response Act, businesses are allowed a tax credit for 100% of the qualified sick wages, family leave, and related health plan expenses through December 31, 2020.
- Paid Sick Leave
 - Maximum of 10 days for full time employees
 - Shall not exceed \$200 (\$511 if under government quarantine, have symptoms of the virus, caring for others with the virus, or caring for a child where a school or daycare has been closed)
- Paid Family Leave
 - Shall not exceed \$200 per day, or \$10,000 in the aggregate per employee
- Credits can be used to offset the employer's Social Security payroll taxes.
- Any deduction for which a credit is received is non-deductible.

Loan Forgiveness

- A loan under the Small Business Act is eligible for forgiveness if used to paid the following items.
 - Payroll costs
 - Interest payments on a mortgage (principal payments not allowed) on real or personal property
 - Rent
 - Utilities – electricity, gas, water, transportation, telephone, or internet
- Amounts treated as cancellation of debt will be considered non-taxable.
- As shareholders, members, and partners are not liable for these loans, losses cannot be taken against this debt.

Loan Topics

- Paycheck Protection Program
- Economic Injury Disaster Loan (EIDL)
- Illinois Small Grants & Loan Assistance



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CARES Act – Small Business Provisions

Loan Programs Through Small Business Administration (SBA)

- **Paycheck Protection Program**
 - To provide a direct incentive for small businesses to keep their workers on payroll.
 - SBA will forgive loans if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities.
- **Economic Injury Disaster Loan (EIDL)**
 - SBA is offering designated states and territories low-interest federal disaster loans for working capital to small businesses suffering substantial economic injury as a result of Coronavirus (COVID-19).
 - Small businesses in all states and territories are eligible.

Paycheck Protection Program (PPP)

Covered period	February 15, 2020 to June 30, 2020
Eligible business	Number of employees < 500 Including self-employed individuals, independent contractors Size eligibility Std. might apply
Borrower requirements	Good faith certification that the loan is necessary because of economic uncertainty caused by COVID-19. Not receiving duplicate funds for the same usage. No Collateral or personal guarantee are required.
Maximum loan amount	Lesser of <ul style="list-style-type: none">• 2.5X average monthly payroll cost for the prior 1 year.• \$ 10,000,000

Paycheck Protection Program (PPP)

Lenders	Refer to “Active Lenders – IL” file
Maturity schedule	Max. 10 years after application for loan forgiveness. Changed to 2 Years
Interest rate	Not to exceed 4% during the covered period. Changed to 1%
Payment deferral	Not less than 6 months and not more than 1 year
Allowable uses	Payroll cost Health care benefits (including paid sick or medical leave and insurance premium) Mortgage interest Rent Utility Interest on other debit

Paycheck Protection Program (PPP)

Loan forgiveness	<p>Following costs incurred during 8-week period after the loan origination date.</p> <p>Payroll costs (compensation above \$100,000 excluded), Mortgage interest, Rent and Utility</p> <p>Limiting non-payroll costs to 25% of the forgiveness amount.</p> <p>Loan forgiveness will be reduced if there is a reduction in the number of employee or a reduction of greater than 25% in wage paid to employees.</p> <p>The forgiven loan amount will not count toward taxable income.</p>
Documentation to be requested to apply loan forgiveness	<p>List of full time equivalent employees and salary</p> <p>Payroll tax returns</p> <p>Mortgage Statement</p> <p>Utility Bills</p>

Economic Injury Disaster Loan (EIDL)

No loan forgiveness provision.	
Eligible business	Number of employees < 500 Including self-employed individuals, independent contractors Size eligibility Std. might apply
Borrower requirements	Small businesses suffering substantial economic injury as a result of COVID-19 SBA checks credit history and loan repayment ability
Maximum loan amount	Up to \$2,000,000
Allowable uses	Working capitals

Economic Injury Disaster Loan (EIDL)

Interest rate	3.75% 【Non for profit 2.75%】
Maturity schedule	Max 30 years
Collateral and guarantee	Yes
Loan advance is available	Can receive \$10,000 in 3 days from SBA Even if the loan application is denied, does not need to repay. Yet, the PPP loan forgiveness amount will be reduced for that amount.

IL Small Business Grants and Loan Assistance

- Hospitality Emergency Grant Program
 - Bar and restaurants, 2019 revenue is less than \$1 million
 - \$10,000 to \$25,000 grant
 - Hotels, 2019 revenue is less than \$8 million
 - Max \$50,000 grant
- Small Business Emergency Loan Fund
 - For businesses outside of City of Chicago
 - 2019 revenue is less than \$3 million
 - Less than 50 employee
 - Max \$50,000 loan
- Downstate Small Business Stabilization Program

HR Topics

- Responding to employee notification
- Family First Coronavirus Response Act (FFCRA)
- Payroll and Attendance Tracking
- Reduction in Force (RIF) and Alternatives
- Federal Worker Adjustment and Restraining Notification Act (WARN)
- CARES Act Enhanced Unemployment Insurance Benefits



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How to respond when an employee notifies you infection to Covid-19

Responding to the Employee:

- ✓ Help them coordinate taking leave or paid time off until they recovered
- ✓ Ask with whom he/she has been in contact with over the last 2 weeks

Notifying Employees and Customers:

- ✓ Directly notify any co-workers or customers who may have been exposed.
- ✓ Notify the rest of the company by email or letter that an employee has tested positive for COVID-19.
- ✓ **Remember to keep the employee's identity protected**
- ✓ Consult with your county or city public health department
- ✓ Be sure to include what steps your company will be taking to protect the health of other employees.

Extra Cleaning of the office

- ✓ All surfaces that the infected employee may have touched should be disinfected. Arrange extra cleaning. Follow CDC cleaning recommendations.

Family First Coronavirus Response Act (FFCRA)

Emergency Paid Sick Leave Act

Covered Employers: all private employers with **fewer than 500 employees**, and all government employers

10 Days Emergency Paid Sick Leave Benefits: Employees of Covered Employers (regardless of how long an employee has been employed by an employer) are entitled to 10 days of paid sick leave if the employee is unable to work (or telework) for the following reasons:

(Part-time employees are entitled to typical number of hours of work in a typical two-week period)

1. Federal, State, or local quarantine or isolation order related to COVID-19
2. Advised by a health care provider to self-quarantine related to COVID-19
3. Experiencing COVID-19 symptoms and is seeking a medical diagnosis
4. Caring for an individual subject to an order described in (1) or (2)
5. Caring for a child whose school or place of care is closed (or child care provider is unavailable) for reasons related to COVID-19
6. Experiencing any other substantially-similar condition specified by the Secretary of Health and Human Services, in consultation with the Secretaries of Labor and Treasury.

Family First Coronavirus Response Act (FFCRA)

Emergency Paid Sick Leave Act

Pay Rate

Reason for leave	Daily pay rate/cap	Total pay cap
1. Quarantine or isolation order	Regular rate of pay up to a cap of \$511	\$5,110
2. Advice from health care provider to self-quarantine		
3. Experiencing symptoms of COVID-19 and seeking a medical diagnosis		
4. Caring for an individual subject to quarantine or isolation order, or who has been advised by a health care provider to self-quarantine	Two-thirds regular rate of pay, up to a cap of \$200	\$2,000
5. Caring for own child whose school or place of care has closed, or whose care provider is closed or unavailable		
6. Experiencing other substantially similar condition specified by HHS		

Family First Coronavirus Response Act (FFCRA)

Emergency Family and Medical Leave Expansion Act

Covered Employers: all private employers with **fewer than 500 employees**, and all government employers

Emergency Paid FMLA Benefits: Employees of Covered Employers who have been on the job for at **least 30 days** (“Eligible Employees”), will have the right to take up to **12 weeks of job-protected leave** under the FMLA if they are unable to work (or telework) to care for a child of an Eligible Employee if the child’s school or place of care has been closed, or the child care provider is unavailable, due to COVID-19.

Pay Rate:

- First 10 Days are unpaid
- Two-thirds regular rate of pay, up to a cap of \$200 per day (Total Pay cap \$10,000)

Attendance Tracking under COVID-19

Track time off more rigorously

Talk to your payroll company and use the correct earnings code

Qualified sick leave wages for refundable tax credit:

1. **ESL:** Emergency Paid Sick Leave for taking care of yourself due to Covid-19 Illness
2. **EFSL:** Emergency Paid Sick Leave for taking care of someone in your family due to Covid-19 Care
3. **EFMLA:** Emergency Family and Medical Leave for child care

Family First Coronavirus Response Act (FFCRA)

Employer Notice Requirements:

- Notice must be posted in conspicuous places on the organizations premises where notice to employees are customarily posted
- If employees are working remotely, you should send them a copy of the notice via email

EMPLOYEE RIGHTS

**PAID SICK LEAVE AND EXPANDED FAMILY AND MEDICAL LEAVE
UNDER THE FAMILIES FIRST CORONAVIRUS RESPONSE ACT**

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.

► **ELIGIBLE EMPLOYEES**
In general, employees of private sector employers with fewer than 500 employees, and certain public sector employers, are eligible for up to two weeks of fully or partially paid sick leave for COVID-19 related reasons (see below). Employees who have been employed for at least 30 days prior to their leave request may be eligible for up to an additional 10 weeks of partially paid expanded family and medical leave for reason #5 below.

► **QUALIFYING REASONS FOR LEAVE RELATED TO COVID-19**
An employee is entitled to take leave related to COVID-19 if the employee is unable to work, including unable to telework, because the employee:


1. is subject to a Federal, State, or local quarantine or isolation order related to COVID-19;	5. is caring for his or her child whose school or place of care is closed (or child care provider is unavailable) due to COVID-19 related reasons; or
2. has been advised by a health care provider to self-quarantine related to COVID-19;	6. is experiencing any other substantially-similar condition specified by the U.S. Department of Health and Human Services.
3. is experiencing COVID-19 symptoms and is seeking a medical diagnosis;	
4. is caring for an individual subject to an order described in (1) or self-quarantine as described in (2);	

► **ENFORCEMENT**
The U.S. Department of Labor's Wage and Hour Division (WHD) has the authority to investigate and enforce compliance with the FFCRA. Employers may not discharge, discipline, or otherwise discriminate against any employee who lawfully takes paid sick leave or expanded family and medical leave under the FFCRA, files a complaint, or institutes a proceeding under or related to this Act. Employers in violation of the provisions of the FFCRA will be subject to penalties and enforcement by WHD.



WAGE AND HOUR DIVISION
UNITED STATES DEPARTMENT OF LABOR

For additional information
or to file a complaint:
1-866-487-9243
TTY: 1-877-889-5627
dol.gov/agencies/whd



WH1422 REV 03/20

Alternatives to Reduction in Force (RIF)

Furlough

A furlough is a mandatory suspension from work without pay. This option requires employees to work fewer hours or no hours.

Employers typically provide:

- Expectation regarding when they will return to work
- Continuation of employee benefits

General Rules:

Hourly Non-Exempt : only get paid hours they actually work

Salaried-Exempt: must receive full weekly salary for any workweek in which they perform any work, without regard for the number of days or hours worked

Alternatives to Reduction in Force (RIF)

Layoff

A layoff is a temporary suspension of employment for business reasons not related to an individual's performance. In this case, the company believes that this condition will change and intends to recall the person when work again becomes available.

Important Note:

If an employer wants to allow employees to maintain benefit coverage for a defined period of times, as an incentive to remain available for recall, they need to check their health insurance benefit plan documents for employee's eligibility to remain on the company's plan during layoff. Plans may be amended for short-term accommodation.

Reduction in Force (RIF)

Reduction in Force

A RIF is the permanent elimination of a position also referred to as a permanent layoff. A temporary layoff may become a RIF.



Important Note:

Rapid Response Services are available to employers in the case of a permanent closure or mass layoff at a plant, facility or enterprise, or in the event of a natural or other disaster that results in mass job dislocation.

<https://www.dol.gov/agencies/eta/layoffs/contact>

Federal Worker Adjustment and Retraining Notification Act (“WARN”)

The Worker Adjustment and Retaining Notification Act (WARN) generally requires employers with 100 or more full-time employees provide 60 Days advance written notice to affected employees and state and local government officials of “plant closing” or a “mass layoff”

Events Triggering Notice Obligations

1. **Plant Closing:** A plant closing is defined as the permanent or temporary shutdown of a site of employment that results in an employment loss for 50 or more employees during any 30-day period. This can include the shutdown of one or more facilities or operating units at a single site of employment if the shutdown affects 50 or more employees.
2. **Mass Layoffs:** A "mass layoff" is defined as a reduction in force that is not a plant closing, but which results in an employment loss at a single site of employment for:
 - 500 or more employees or
 - At least 50 or more employees at least 33% of active full-time employees

Important Note: WARN Act Compliance assistance services are available to employers. <https://www.dol.gov/agencies/eta/layoffs/employers>

State Mini- WARN Acts

In addition to the Federal WARN Act, some jurisdictions have mini-WARN Acts including but not limited to:

- ✓ City of Philadelphia
- ✓ California
- ✓ Hawaii
- ✓ Illinois
- ✓ Iowa
- ✓ Main
- ✓ Massachusetts
- ✓ New Jersey
- ✓ New York
- ✓ Tennessee
- ✓ Wisconsin

For example, Illinois law applies to employers with 75 or more employees and can be triggered with just 25 employment losses.

CARES Act –Enhanced Unemployment Insurance Benefits

The Act provides funding for **an additional \$600 per week** in unemployment benefits to workers in participating states through July 31, 2020. The \$600 supplemental benefit is in addition to what workers currently receive under state law.

For example, in Illinois, the regular weekly unemployment benefit amount is approximately 47 percent of a worker's prior average weekly wage, with a maximum weekly benefit of \$471 per week for an individual with no dependents.

An Illinois worker making \$17 per hour and working full-time earning \$680 per week ($\$17 \times 40 = \680) is eligible for an unemployment insurance benefit of \$320 per week, without any dependent allowances, provided sufficient base period earnings, and assuming no offsets. The Act's \$600 per week supplement increases the weekly unemployment benefit for this typical worker from \$320 to \$920 through July 31, 2020.

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Thank you for joining us!

We can help!

- ✓ Tax implications
- ✓ Do you qualify for relief
- ✓ Which program is the best fit for you
- ✓ Completing and submitting loan applications
- ✓ Projections on PPP loan forgiveness amount
- ✓ Furlough, Layoff, RIF Assistance
- ✓ HR Hotline



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QUESTIONS



We can help!



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