

## COVID-19 Update for Businesses

This letter is to update our JK Associates clients about new programs and rules in the Families First Act and the CARES Act. Please be aware that guidance from the IRS and SBA is constantly being updated and revised – we can only give our best current understanding of what is going on. We have been attending many continuing education webinars on these issues, and even that information is sometimes conflicting. Many of the new tax rules/programs involve employees so if you have payroll (W2 employees) there is a lot for you. Although many business tax and labor laws have exceptions for small businesses, these provisions specifically apply to small businesses (fewer than 500 employees) so this likely applies to you.

Families First Coronavirus Response Act – 3 important provisions regarding employees:

1. Emergency Paid Sick Leave Act – Employers must provide two weeks PAID sick time at regular pay to their employees if they meet the qualifications (which include being unable to work due to taking care of a family member). Yes, you must pay sick leave for employees after April 1<sup>st</sup>. Also, you are required to notify all your employees by putting up a poster or emailing them (we have provided a link at the end of this memo).
2. Emergency Family and Medical Leave Expansion Act – After 10 days (expected to be covered by above paid sick leave) qualified employees receive up to 12 weeks of paid leave (at a lesser rate) -- potentially up to \$10,000 per employee.
3. Tax Credits for Paid Sick and Paid Family and Medical Leave – you can get a tax credit for 100% of qualified wages plus pro-rata share of qualified health care plan expenses paid April 2, 2020, through Dec 31, 2020. This is in the form of a payroll tax credit, which is refundable if it exceeds your payroll tax liability (likely if many workers are covered by this). IRS Form 7200 is now available to get an advance on this credit.

You must pay employees who qualify under these acts, you will later get reimbursed through the tax credit. Which employees qualify? Those unable to work or telework because they are subject to quarantine (have COVID-19), been advised by health care provider to self-quarantine (don't know but have seen doctor), or have symptoms of COVID-19 and are seeking a medical diagnosis (sick and haven't yet seen doctor). In addition, the employee qualifies if they are unable to work or telework if caring for a family member meeting above guidelines or a (not sick) child because school/daycare is closed. If an employee has been hired, they are eligible, even if they haven't been working due to loss of business. Lastly, there are legal protections for employees being laid off – before releasing any employees please consult with a labor attorney.

Self-employed individuals – there is a provision for you if you are a qualifying person, and you will get a refundable credit against self-employment tax. You must have additional documentation to get the tax credit but guidance on exactly what has not yet come out.

If your employees can telework/work from home, you should set this up. Your expenses should be deductible, and not considered a taxable fringe benefit to your employees.

## CARES (Coronavirus Aid, Relief, and Economic Security) Act – money for businesses & employers

This act is designed to help businesses continue paying employees (other than the qualified employees above) and get fast, low cost loans for cash flow/liquidity. You cannot double dip on these programs, so you must choose which ones to use.

### Main programs:

Emergency EIDL disaster grants: up to \$10,000, supposed to be fastest way to get money, and you do not need to repay if used for: payroll, mortgage interest/rent, other obligations. Apply with SBA (this is the first part of applying for EIDL loan). The goal is for money to be deposited in your bank account in 3 days. Application is open now at [sba.gov](http://sba.gov).

Paycheck Protection Program (PPP): forgivable loan up to 2.5 x your monthly payroll expenses. Apply through your bank – not SBA. Forgivable for payroll, mortgage interest, rent, utilities paid in 8 week period after loan, 75% of forgiveness must go to payroll. Application for employers open Friday April 3<sup>rd</sup>, application for independent contractors/sole proprietors/self-employed (those without employees) opens April 10<sup>th</sup>. There is likely a limited amount of funds, first-come first served so apply early to this program. If you are an S-Corp just paying yourself wages, you should be able to file in the first round for a forgivable loan for your wages.

EIDL loans: long-term loans at good rates, apply through the SBA. This loan might help you get to the other side and rebuild your business. Application available now, but expected funding won't happen for 45-60 days.

Employee Retention Tax Credit: If your quarterly gross receipts are down by 50% or more in a quarter due to COVID-19, you can get refundable tax credit for wages paid to employees, up to \$5000 per employee. This credit continues in subsequent quarters until your gross receipts is over 80% of your prior baseline and is available through the end of 2020 (all four quarters).

### Getting Guidance

At JK we are doing our best to understand all this and help you through it, but the situation is very fluid right now. What we say today may not be true tomorrow, or we may just have misunderstood or misapplied the rules. And obviously, everything is more complicated with a lot of details than what we have presented here. The best way to contact Keith ([keith@jkassociatetax.com](mailto:keith@jkassociatetax.com)) and Nancy Jo ([nancyjo@jkassociatetax.com](mailto:nancyjo@jkassociatetax.com)) is through email. Other resources would be your payroll provider, your bank (all PPP loans are through them), and the following websites:

<https://www.irs.gov/coronavirus>

<https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>

<https://www.dol.gov/newsroom/releases/whd/whd20200328>

The required DOL poster:

[https://www.dol.gov/sites/dolgov/files/WHD/posters/FFCRA\\_Poster\\_WH1422\\_Non-Federal.pdf](https://www.dol.gov/sites/dolgov/files/WHD/posters/FFCRA_Poster_WH1422_Non-Federal.pdf)