

Three Phases of Coronavirus Relief: An Overview of The CARES Act and What it Means For You and Your Clients

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Three Phases – So Far

- **Phase #1: Coronavirus Preparedness and Response Supplemental Appropriations Act**
- **Phase #2: Families First Coronavirus Response Act**
- **Phase #3: Coronavirus Aid, Relief, and Economic Security (CARES) Act**

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Phase #1: Coronavirus Preparedness and Response Supplemental Appropriations Act

- **Has President Trump signed it into law?** Yes, on March 6th.
- **Cost:** \$8.3 billion
- **What is the funding in the bill for?**
 - Vaccination developments and research
 - Masks and other protective gear for healthcare agencies treating patients
 - Health agencies across all levels of government to increase testing and implement measures to control coronavirus
 - Loan subsidies for small businesses

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FDA Salary And Expense Appropriation

- For “Salaries and Expenses,” \$61 million to remain available until expended, to prevent, prepare for, and respond to coronavirus, domestically or internationally, including:
 - The development of necessary medical countermeasures and vaccines,
 - Advanced manufacturing for medical products,
 - The monitoring of medical product supply chains, and
 - Related administrative activities.

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Disaster Loans Programs

- For the “Disaster Loans Program Account” for administrative expenses to carry out the disaster loan program, \$20 million to remain available until expended.
 - Such amounts may be transferred to and merged with “Small Business Administration—Salaries and Expenses.”
- *Provided further*, coronavirus shall be deemed to be a disaster and amounts available under “Disaster Loans Program Account” for the cost of direct loans in any fiscal year may be used to make economic injury disaster loans in response to the coronavirus.
 - None of the funds may be used for indirect administrative expenses.

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Centers For Disease Control And Prevention

- \$2.2 billion to remain available until September 30, 2022, to prevent, prepare for, and respond to coronavirus, domestically or internationally.
 - Not less than \$950 million of the amount provided shall be for grants to or cooperative agreements with States, localities, territories, tribes, tribal organizations, urban Indian health organizations, or health service providers to tribes, to carry out surveillance, epidemiology, laboratory capacity, infection control, mitigation, communications, and other preparedness and response activities.
 - \$475 million of the funds made available in the preceding proviso shall be allocated within 30 days of the date of enactment of this Act.
 - Not less than \$300 million shall be for global disease detection and emergency response.
 - That \$300 million shall be merged with amounts in the Infectious Diseases Rapid Response Reserve Fund.

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National Institute Of Allergy And Infectious Diseases

- \$836 million to remain available until September 30, 2024, to prevent, prepare for, and respond to coronavirus, domestically or internationally.
 - Not less than \$10 million shall be transferred to the “National Institute of Environmental Health Sciences” for worker-based training to prevent and reduce exposure of hospital employees, emergency first responders, and other workers who are at risk of exposure to coronavirus through their work duties.

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Other Appropriations

- “Public Health and Social Services Emergency Fund”, \$300 million, to remain available until September 30, 2024, for products, including the purchase of vaccines, therapeutics, and diagnostics.
- “Department of State Diplomatic Programs” \$264 million, to remain available until September 30, 2022, for necessary expenses to prevent, prepare for, and respond to coronavirus, including for maintaining consular operations, reimbursement of evacuation expenses, and emergency preparedness.
- “Global Health Programs”, \$435 million, to remain available until September 30, 2022, for necessary expenses to prevent, prepare for, and respond to coronavirus.

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Phase #2: Families First Coronavirus Response Act

- **Has President Trump signed it into law?** Yes, on March 18th.
- **Cost:** Most estimates put its price tag at more than \$100 billion.
- **What is the funding in the bill for?**
 - Food assistance for children reliant on school meals that now face closures
 - Unemployment insurance for laid-off workers
 - Medicaid funds for state and local government workers
 - Free Coronavirus testing for those who need it but cannot pay
 - Reimbursements for businesses who give workers paid sick leave

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Division B – Nutrition Waivers

- Expands food and nutrition programs of the Department of Agriculture (USDA) due to COVID-19.
 - *Sec. 2102 - Maintaining Essential Access to Lunch for Students Act or the MEALS Act* - modifies USDA food and nutrition programs to allow certain waivers of requirements for the school meal programs, including waivers that increase federal costs during a COVID-19-related school closure. Such waivers must be requested by a state or service provider and be for purposes of providing meals and snacks during such a closure.
 - *Sec. 2202 - COVID-19 Child Nutrition Response Act* - authorizes USDA to issue a single waiver of child nutrition program requirements to all states under the National School Lunch Program for purposes of providing meals and snacks with appropriate safety measures with respect to COVID-19, grant waivers of requirements to allow non-congregate feeding in the Child and Adult Care Food Program for purposes of providing meals and snacks with appropriate safety measures with respect to COVID-19, and grant waivers related to the nutritional content of meals served in child nutrition programs if it determines the waiver is necessary to provide meals and snacks and there is a food supply chain disruption due to COVID-19.

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More On Nutrition Waivers

- *Sec. 2203* - USDA may grant waivers allowing participants under the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) to get certified or recertified without being physically present at a WIC clinic, and defer anthropometric and bloodwork requirements necessary to determine nutritional risk.
- *Sec. 2204* - USDA may also grant waivers from administrative requirements for WIC if it determines that (1) the requirement cannot be met by a state due to COVID-19, and (2) the waiver is necessary to provide assistance under WIC.
- *Sec. 2301* - Temporarily suspends work requirements under the Supplemental Nutrition Assistance Program (SNAP, formerly known as the food stamp program) during a public health emergency declaration due to COVID-19, allowing participants who would have lost eligibility to continue to receive SNAP benefits.
- *Sec. 2302* - Provides for emergency SNAP benefits during a public health emergency declaration due to COVID-19.
 - States may request waivers from USDA to provide emergency allotments to households participating in SNAP to address temporary food needs not greater than the applicable maximum monthly allotment for the household size.

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Division C - Emergency Family And Medical Leave Expansion Act

- Sec. 3102 - Permits employees to take public health emergency leave through December 31, 2020, to care for the employee's child during a COVID-19 public-health emergency.
 - Specifically, employers of fewer than 500 workers must provide up to 12 weeks paid leave for an employee who cannot work because the school or child-care provider of that employee's child is closed as a result of a public-health emergency.
 - Employers are not required to pay employees for the first 10 days of such public health emergency leave. However, an employee may use accrued paid leave during such time. After the first 10 days, employers must pay not less than two-thirds of an employee's regular pay for the number of hours per week the employee normally works. The maximum amount of compensation for such leave is \$200 per day and \$10,000 in aggregate.
 - Further, employers are generally required to restore an employee's former position following the use of public health emergency leave unless, the employer (1) has fewer than 25 workers and (2) has made reasonable efforts to retain the employee's position but such position no longer exists due to economic conditions caused by such public health emergency.
 - With a finding of good cause, the Department of Labor may (1) exclude certain health care providers and emergency responders from eligibility for public health emergency leave, and (2) exempt employers with fewer than 50 employees if the requirements of this section would place the viability of that business at risk.

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Emergency Family And Medical Leave

- Sec. 3103 - Employers subject to multiemployer bargaining agreements may make contributions to a multiemployer fund to fulfill the employer's obligations and employees may secure compensation from such fund for leave taken.
- Sec. 3104 – Employers with fewer than 50 employees for each working day during each of at least 20 work weeks during the preceding year are not subject to civil liability for a violation.
- Sec. 3105 - Employers of health care providers or emergency responders may exclude employees from these requirements.
- Sec. 3106 - This division takes effect not later than 15 days after enactment.

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Division D - Emergency Unemployment Insurance Stabilization And Access Act Of 2020

- Sec. 4102 - funds emergency grants for FY2020 to administer unemployment programs in the states.
 - The amount of available funds for each state is based on the Department of Labor's determination of the proportion of the total taxable wages attributable to a state during the preceding year.
 - Each state receives 50% of such determined amount if the state requires employers to notify employees about the availability of unemployment compensation at the time the employee separates from an employer; ensures that unemployment applications are available through at least two of three methods: in-person, by phone, or online; and provides assistance with processing unemployment applications.
 - Additionally, a state receives the remaining 50% of such funds if, among other requirements the number of unemployment claims in the state has increased by at least 10% compared with the same quarter during the previous year; and the state demonstrates policies to increase access to unemployment compensation such as waiving the requirement to search for work and the one-week waiting period to receive benefits, among others.
- Sec. 4103 - Suspends the accrual of interest through December 31, 2020, on federal payments made to states for assistance with unemployment compensation.
- Sec. 4104 - Labor must assist states in raising public awareness about available short-time compensation programs and provide technical assistance and guidance for such programs.
- Sec. 4105 - Increases to 100% the federal share of payments to states for extended and regular unemployment compensation through December 31, 2020. ¹³

Division E - Emergency Paid Sick Leave Act

- Sec. 5102 - Requires employers to provide paid sick time to employees who are unable to work due to the effects of COVID-19 (i.e., coronavirus disease 2019).
 - Specifically, full-time employees are entitled to 80 hours of paid sick time, which is available immediately, for use if the employee is subject to a governmental quarantine or isolation order, has been advised by a health-care provider to self-quarantine, is caring for an individual who is subject to governmental or self-quarantine, is caring for the employee's child because the child's school or child-care provider is closed, or is experiencing a substantially similar circumstance related to COVID-19 as specified by the Department of Health and Human Services, in consultation with the DOL.
 - Paid sick time may be used before other paid leave that may be available to an employee. Part-time employees are entitled to such paid sick time for the average number of hours the part-time employee works during an average two-week period. Paid sick time under this section may not carry over from one year to the next.
- Sec. 5103 - Employers must provide conspicuous notice in the workplace of the emergency paid sick time requirements, and Labor must provide publicly-available models of such notice not later than seven days after the enactment.
- Sec. 5104 - Employers are prohibited from taking adverse actions against employees who take leave or take actions to enforce the requirements.
- Sec. 5105 - Employers who violate the emergency paid sick time requirements are subject to fines and imprisonment.

Emergency Paid Sick Leave

- Sec. 5106 - Employers subject to multiemployer bargaining agreements may make contributions to a multiemployer fund to fulfill the employer's obligations, and employees may secure compensation from such fund for emergency paid sick time used.
- Sec. 5107 – Does not affect employer rights or benefits under any other law, collective bargaining agreement, or existing employer policy.
 - Employers are not required to pay employees for unused emergency paid sick time if an employee resigns, retires, or is terminated.
- Sec. 5108 - The emergency paid sick time requirements take effect not later than 15 days after enactment.
- Sec. 5109 - The emergency paid sick time requirements expire on December 31, 2020.
- Sec. 5110 - Employers with fewer than 500 employees and federal, state, and local public agencies are subject to the requirements of this division.
 - Employers are not required to pay in excess of the regular rate of pay up to \$511 per day, and \$5,110 in aggregate, for paid sick time used by an employee who experiences symptoms of COVID-19 or is required or advised to self-quarantine; or \$200 per day, and \$2,000 in aggregate, for paid sick time used by an employee to care for the employee's child or other impacted person.
- Sec. 5111 - With a finding of good cause, Labor may (1) exclude certain health care providers and emergency responders from eligibility for emergency paid sick leave, and (2) exempt employers with fewer than 50 employees if these requirements would place the viability of that business at risk.

Division F - Health Provisions

- Sec. 6001 - requires private health insurance to cover testing for COVID-19 without imposing cost-sharing (e.g., deductibles, coinsurance, or copayments) for the duration of the public health emergency declared on January 31, 2020, including costs of administering such approved tests and related visits to health care providers.
- Sec. 6002 - requires Medicare to cover, without cost-sharing, visits to health care providers that relate to COVID-19 testing during this emergency.
- Sec. 6003 - Medicare Advantage (MA) plans must also cover COVID-19 testing and related visits without cost-sharing during this emergency.
- Sec. 6004 - Additionally, COVID-19 testing and related visits must be covered without cost-sharing under the Children's Health Insurance Program (CHIP) and Medicaid during this emergency.
 - State Medicaid programs may also cover COVID-19 testing and related visits for uninsured individuals during this period.
 - The section applies a 100% Federal Medical Assistance Percentage (FMAP) to such coverage.

Additional Health Provisions

- Sec. 6005 - Extends targeted liability protection to certain manufacturers, distributors, prescribers, and users of approved respiratory protective devices that are: (1) subject to specified emergency use authorizations; and (2) used during the period beginning on January 27, 2020 and ending on October 1, 2024.
 - Emergency use authorizations allow for the use of unapproved drugs, biological products, or devices, or for the unapproved use of such products, to respond to a declared emergency.
- Sec. 6006 - During the emergency period, the Department of Defense (i.e., TRICARE) and Department of Veterans Affairs are also prohibited from requiring cost-sharing for COVID-19 care.
 - Additionally, individuals in civil service who are enrolled in a health benefits plan shall not be subject to cost-sharing requirements for such services.
- Sec. 6007 - Requires the Department of Health and Human Services to cover, during the public health emergency and without cost-sharing, COVID-19 testing and related visits for Native Americans, including Alaska Natives, who receive health services through the Indian Health Service (IHS), regardless of whether the COVID-19 services are covered under IHS.
- Sec. 6008 - Increases the Medicaid Federal Medical Assistance Percentage (FMAP) for all states and U.S. territories during the public health emergency.
 - For example, in order to receive the increased FMAP, a state Medicaid program may not require standards for eligibility that are more restrictive than the standards that were in effect on January 1, 2020.

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HSA's Can Cover COVID-19 Costs As Preventive Care *IRS Notice 2020 - 15*

- Health plans that otherwise qualify as high-deductible health plans (HDHPs) will not lose that status merely because they cover the cost of testing for or treatment of COVID-19 before plan deductibles have been met.
 - In addition, any vaccination costs will count as preventive care and can be paid for by an HDHP.
- Eligible individuals can deduct contributions to HSAs. One requirement to qualify as an individual is to be covered under an HDHP and have no disqualifying health coverage. An HDHP is a health plan that satisfies certain requirements, including requirements with respect to minimum deductibles and maximum out-of-pocket expenses.
- A health plan that otherwise satisfies the HDHP requirements will not fail to be an HDHP merely because it provides medical care services and items purchased related to testing for and treatment of COVID-19 prior to satisfaction of the applicable minimum deductible.
 - As a result, the individuals covered by such a plan will not fail to be eligible individuals merely because of the provision of health benefits for testing and treatment of COVID-19.
- Caution. The IRS states that this relief applies only to HSA-eligible HDHPs. Employees and other taxpayers in any other type of health plan should contact their plan with specific questions about what their plan covers.

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Division G – Tax Credits for Paid Sick and Paid Family and Medical Leave

- Sec. 7001 - A credit against payroll taxes for 100% of the employer-paid qualified sick leave wages paid each calendar quarter.
 - The amount of sick leave wages taken into account for purposes of the credit may not exceed \$200 for any employee (\$511 per day employees as defined under the Emergency Paid Sick Leave Act) and the aggregate number of days taken into account is limited to 10, over the number of days taken into account for preceding calendar quarters.
- Sec. 7002 - This section allows a refundable income tax credit for 100% of sick leave amounts of self-employed individuals under the Emergency Paid Sick Leave Act. For other employees, the credit percentage is 67%.
 - Self-employed individuals must maintain documentation to establish eligibility for the credit.

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Family Medical Leave

- Sec. 7003 - This section allows an employer a 100% payroll tax credit for qualified family leave wages paid by such employer for each calendar quarter.
 - The amount of qualified family leave wages that may be taken into account for each employee is limited to \$200 per day and \$10,000 for all calendar quarters.
- Sec. 7004 - allows a refundable income tax credit for 100% of the qualified family leave amounts of self-employed individuals, subject to a specified formula.
 - Self-employed individuals must maintain documentation prescribed by the IRS.
- Sec. 7005 - This section provides that wages required to be paid to employees under the Emergency Paid Sick Leave Act and the Emergency Family and Medical Leave Expansion Act shall not be considered FICA wages.

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Refundable Pay Tax Credits

IRS Notice 2020 – 21 by Sally P. Schreiber, J.D. (AICPA)

- Eligible small and midsize employers can claim two new refundable payroll tax credits, designed to reimburse them, dollar for dollar, for the cost of providing coronavirus-related leave to their employees.
 - The relief was enacted under the Families First Coronavirus Response Act, P.L. 116-127, signed by President Donald Trump on March 18, 2020.
- The law requires paid sick leave and expanded family and medical leave for workers affected by the coronavirus and created refundable credits for eligible employers.
 - Eligible employers are businesses and tax-exempt organizations with fewer than 500 employees that are required to provide emergency paid sick leave and emergency paid family and medical leave under the act.
 - Eligible employers will be able to claim these credits based on qualifying leave they provide between April 1, 2020, and Dec. 31, 2020.
- Equivalent credits are available to self-employed individuals based on similar circumstances when they file their income tax returns and pay estimated taxes.

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Exemption For Small Businesses

- Small businesses with fewer than 50 employees are eligible for an exemption.
- To take immediate advantage of the paid leave credits and to ease employers' cash flow, the IRS says eligible employers who pay qualifying sick or child care leave will be able to retain an amount of the payroll taxes equal to the amount of qualifying sick and child care leave that they paid, rather than deposit them with the IRS.
 - The payroll taxes that are available for retention include withheld federal income taxes, the employee share of Social Security and Medicare taxes, and the employer share of Social Security and Medicare taxes for all employees.

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Small Business Exemption

- A small business with fewer than 50 employees will be eligible for an exemption from the leave requirements relating to school closings or childcare unavailability, where the requirements would jeopardize the business's ability to continue.
 - The IRS says the exemption will be available "on the basis of simple and clear criteria that make it available in circumstances involving jeopardy to the viability of an employer's business as a going concern."

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Nonenforcement Period

- The DOL will issue a temporary nonenforcement policy that provides a period of time for employers to come into compliance with the Act.
- Under this policy, the DOL will not bring an enforcement action against any employer for violations of the act so long as the employer has acted reasonably and in good faith to comply with the act.
 - The DOL will instead focus on helping employers comply during the 30-day period.

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Examples From The IRS

- Example 1: If an eligible employer paid \$5,000 in sick leave and is otherwise required to deposit \$8,000 in payroll taxes, including taxes withheld from all its employees, the employer could use up to \$5,000 of the \$8,000 of taxes it was going to deposit for making qualified leave payments.
 - The employer would only be required under the law to deposit the remaining \$3,000 on its next regular deposit date.
- Example 2: If an eligible employer paid \$10,000 in sick leave and was required to deposit \$8,000 in taxes, the employer could use the entire \$8,000 of taxes in order to make qualified leave payments and file a request for an accelerated credit for the remaining \$2,000.

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IRS Waives Failure-to-deposit Penalties

IRS Notice 2020 – 22

- The IRS announced March 31st that it is waiving additions to tax for failure to make a deposit of employment taxes (including withheld income taxes, taxes under the Federal Insurance Contributions Act, and taxes under the Railroad Retirement Tax Act) related to the new credits.
 - The waiver will apply to the extent that the amounts not deposited are equal to or less than the amount of refundable tax credits to which the employer is entitled under the Families First Coronavirus Response Act (the credits for qualified sick leave wages, qualified family leave wages, and qualified health plan expenses allocable to qualified leave wages) and under the Coronavirus Aid, Relief, and Economic Security Act (CARES) Act, (the credit for qualified employee retention wages).
 - The waiver will also apply to deposits of employment taxes reduced in anticipation of the credits for qualified sick leave wages, qualified family leave wages, and qualified health plan expenses paid beginning April 1, 2020, and ending Dec. 31, 2020, and deposits of employment taxes reduced in anticipation of the credits for qualified retention wages paid for the period beginning on March 13, 2020, and ending Dec. 31, 2020.
- This relief ensures that such employers may pay qualified sick leave wages and qualified family leave wages required by the Families First Act or wages that qualify under the CARES Act as employee retention credit wages using employment taxes that would otherwise be required to be deposited without incurring a failure-to-deposit penalty.

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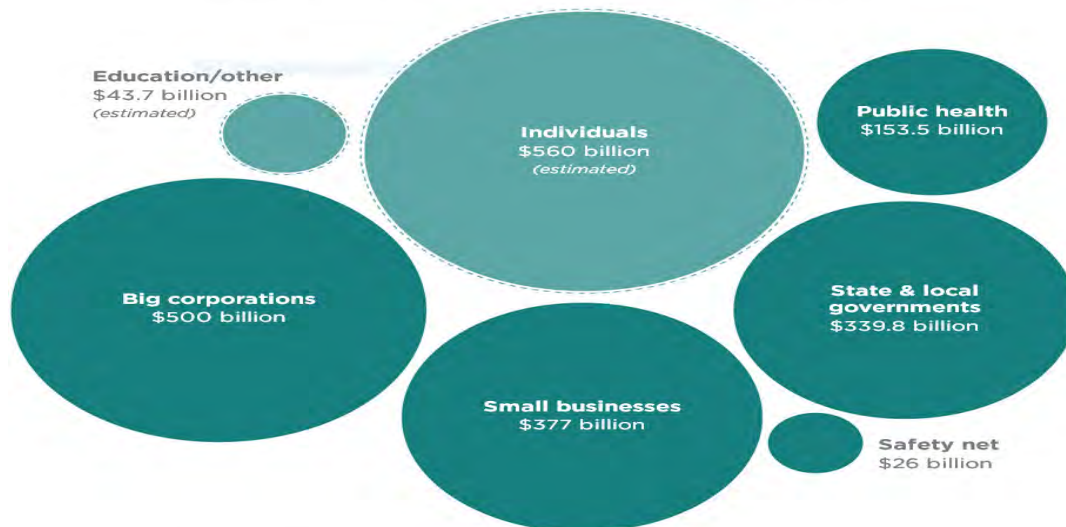
Phase #3: Coronavirus Aid, Relief, and Economic Security (CARES) Act

- **Has President Trump signed it into law?** Yes, on March 27th
- **Cost:** Most estimates put its price tag at more than \$2.2 trillion.
 - Mitigate the economic ramifications of the coronavirus pandemic.
 - Congress is opening every liquidity spigot at their disposal and even creating new ones.

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How The \$2 Trillion Breaks Down

The CARES Act provides relief to several groups impacted by the coronavirus pandemic.



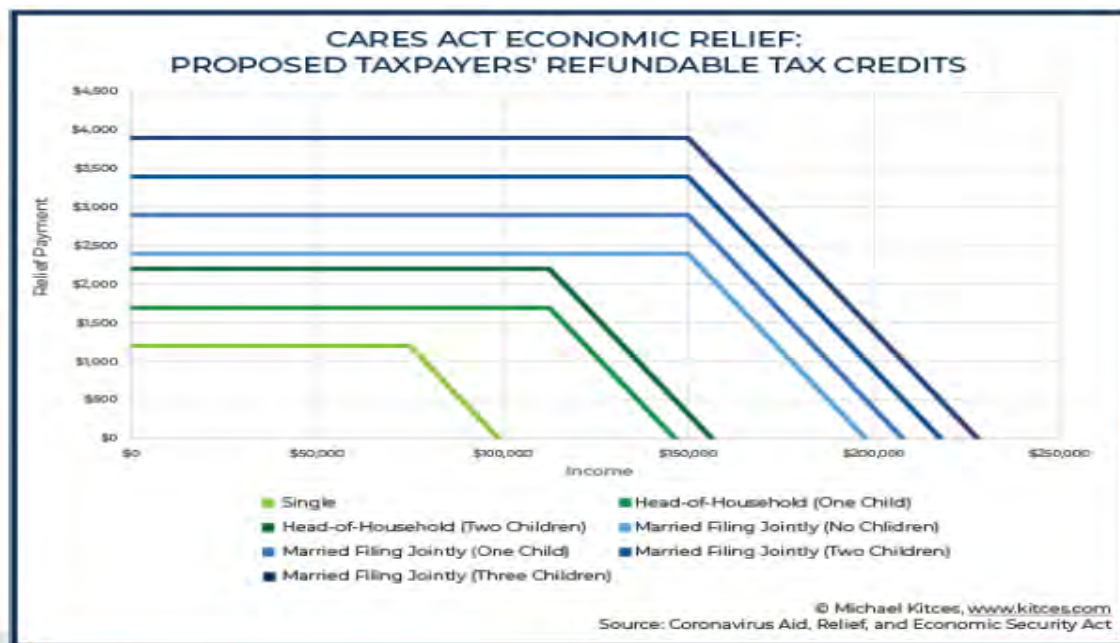
Source: Estimates for third relief bill based on bill text, committee and administration numbers.
Credit: Audrey Carlsen/NPR

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2020 Recovery Rebates For Individuals

- The CARES Act provides a refundable tax credit for 2020 of \$1,200 to individual filers with adjusted gross incomes of \$75,000 or less (or \$112,500 or less for a head of household), and \$2,400 to married couples filing jointly with adjusted gross incomes of \$150,000 or less, which would be paid in cash.
 - There is an additional \$500 refundable credit for each of their “qualifying children” under age 17.
 - No minimum income is necessary to receive the credit.
 - These amounts are phased out (\$5 for every \$100 in income above the threshold) beginning at \$75,000 for single taxpayers and \$150,000 for married joint filers, and phaseout entirely (for those without children) by \$99,000 for single taxpayers and \$198,000 for married joint filers.
- Although the credit is for 2020, the Bill treats the taxpayer as if he or she had overpaid an amount equal to the credit in 2019 (or if the taxpayer has not yet filed a 2019 tax return, 2018) so that the taxpayer is eligible to receive his or her refund immediately.

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Refundable Tax Credit For 2020

		2020 Income	
		Income Lower Than Threshold	Income Higher Than Threshold
2018/2019 Income*	Income Lower Than Threshold	Get Recovery Rebate Now Keep Recovery Rebate	Get Recovery Rebate Now Keep Recovery Rebate (Even Though 2020 Income Exceeds)
	Income Higher Than Threshold	No Recovery Rebate Now Recovery Rebate Will be Applied to 2020 Return	No Recovery Rebate Now No Recovery Rebate Applied to 2020 Return

*Most current year on file

Source: Michael Kitces.com

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Recovery Rebate Payments Within Three Weeks *IR 2020 – 61* by Sally P. Schreiber, J.D. (AICPA)

- The IRS announced March 30, 2020 that most qualifying taxpayers will receive recovery rebate payments enacted by the Coronavirus Aid, Relief, and Economic Security (CARES) Act,, automatically within the next three weeks without having to take any action.
 - Some seniors and others who typically do not file returns will need to submit a tax return to receive the stimulus payment, which the Service is calling an “economic impact payment.”

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Steps To Receive Payment

- The IRS says most people do not need to take any action.
 - The IRS will calculate their payment amount and automatically send it to them.
- For taxpayers who have already filed their 2019 tax returns, the IRS will use this information to calculate the payment amount.
- For those who have not yet filed their 2019 return, the IRS will use information from their 2018 return to calculate the payment.
- The economic impact payment will be deposited directly into the same bank account used on the return.
 - For taxpayers for whom the IRS does not have direct deposit information, Treasury plans to develop a web-based portal so that individuals can provide their bank information to the IRS online, so that individuals can receive electronic payments.
 - Otherwise, those individuals will receive checks in the mail.

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Student Loan Relief

- The Act includes relief for college students and graduates with outstanding federal student debt.
 - **Temporary student loan relief:** All loan and interest payments would be deferred through Sept. 30 without penalty to the borrower for all federally owned student loans.
 - **Work study funds:** It allows schools to turn unused work-study funds into supplemental grants and continue paying work study wages while schools are suspended.
 - **Students who are forced to drop out:** Students who drop out of school as a result of the coronavirus wouldn't have that time away from school deducted from their lifetime limits on subsidized loan and Pell grant eligibility. Those students would also not be asked to pay back any grants or other aid they've already received.

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Tax-Free Employer Repayment of Employee Student Loans

- Under the CARES Act, an employer's repayment of up to \$5,250 of an employee's student loan debt (principal and interest) would be tax-free to the employee if made after the enactment of the CARES Act and before January 1, 2021 (i.e., the repayment is excluded from the employee's income).
 - The \$5,250 cap for employee's student debt is shared with other employer educational assistance provided to an employee under current law (e.g., tuition, fees, and books).
 - Furthermore, interest excluded under this provision cannot be deducted as student loan interest.

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Relaxation of Retirement Plan Rules

Individuals with retirement accounts affected by the virus now have various ways to address the economic and health impact felt due to the pandemic.

- Individuals who may claim benefits:
 - Diagnosed with COVID-19
 - Have spouse/dependent diagnosed with COVID-19
 - Experience adverse financial consequences as a result of being quarantined,
 - Furloughed, laid off, or have work hours reduced because of the disease, or
 - Unable to work because they lack childcare as a result of the disease, or
 - Own a business that closed or operated under reduced hours because of the disease, or
 - Some other reason that the IRS decides.

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Waiver Of 10% Penalty

- Temporary waiver of the 10% early withdrawal penalty for distributions from qualified retirement accounts for COVID-19 related purposes up to \$100,000.
 - No mandatory withholding
 - Any such withdrawal will be taxed over 3 years, unless the taxpayer wants to tax the distribution sooner.
 - Amounts withdrawn can be recontributed within 3 years without regard for the normal annual limits.

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Retirement Plan Loan Limitations Increased

- Individuals who meet the same criteria can take loans equal to the lesser of \$100,000 or 100% (normally \$50,000 or 50%) of the account balance.
 - Payments on all loans due in 2020 from qualified plans can be deferred for one year.

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Retirement Plan Required Minimum Distributions Suspended For 2020

- For 2020, there are NO required minimum distributions from qualified plans, IRAs, 403(b), and 457(b).
 - Individuals who turned 70 ½ in 2019 who postponed 2019 distribution to 4/1/20 can suspend the payment
 - Also suspends RMDs that otherwise needed to be taken regardless of age
 - Stretch IRA RMDs from inherited IRAs are suspended, including distributions that would be required under the 5-year rule.
- If you have already taken the 2020 RMD, you can:
 - Roll the distributions back into the plan using the 60-day rollover rule, or
 - Treat the distribution as a coronavirus-related distribution and recontribute the amount within 3 years.
 - This last option does not apply to Inherited IRAs.

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Health-Related Changes

- For plan years beginning on or before December 31, 2021, a plan is treated as a high deductible health plan (HDHP)(i.e., health savings accounts (HSAs)) even if it does not impose a deductible for telehealth or other remote care services.
 - Designed to support both front-line health care workers and individuals who would otherwise remain home during the crisis.
- For amounts paid out of an HASA, Archer MSA, health reimbursement account, or flexible spending account after December 31, 2019, amounts paid for menstrual care products are treated as paid for medical care.
 - Menstrual care products include tampons, pads, liners, cups, sponges, or similar products used by individuals with respect to menstruation or other genital tract secretions.

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Charitable Contributions Changes

- \$300 above-the-line deduction for charitable contributions made after 2019 for non-itemizers.
 - Carryovers from years prior to 2020 cannot be claimed under this provision.
- Charitable deduction limitations are relaxed by suspending the individual 50% of adjusted gross income limitation for 2020. Now up to 100% of AGI can be contributed.
 - For corporations, the 10% taxable income limitation is increased to 25% of taxable income.
- The above changes only apply to cash contributions and not to donations to donor-advised funds or supporting organizations under the private foundation rules.

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IRS Issues Guidance On 7/15/20 Filings *IRS Notice 2020-18*

- Because of the ongoing coronavirus pandemic, tax returns due April 15 will not have to be filed until July 15 this year.
- The postponement applies to any “individual, a trust, estate, partnership, association, company or corporation” with a federal income tax return or income tax payment due on April 15 (affected taxpayer).
 - Any affected taxpayer receives an automatic postponement of that deadline until July 15.
 - They do not have to file Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*, or Form 7004, *Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns*.

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Applies To Filings And Payments

- No interest, penalty, or addition to tax for failure to file a federal income tax return or to pay federal income taxes will accrue between April 15, 2020, and July 15, 2020, for any return or payment postponed by the notice.
 - The IRS is postponing the filing and payment deadlines using its authority under Sec. 7508A, which was triggered on March 13 when President Donald Trump declared the ongoing coronavirus pandemic a national emergency under the Robert T. Stafford Disaster Relief and Emergency Assistance Act.
- The Notice applies only to federal income tax returns and payments (including self-employment tax payments) due April 15, 2020, for 2019 tax years, and to estimated income tax payments due April 15, 2020, for 2020 tax years.
 - The notice explicitly does not apply to any other type of federal tax or to any federal information returns.

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IRS Frequently Asked Questions

Which Filings Are Affected?

- A3. The Notice postpones the filing and payment of Federal income taxes reported on the following forms:
 - Form 1040, 1040-SR, 1040-NR, 1040-NR-EZ, 1040-PR, 1040-SS
 - Form 1041, 1041-N, 1041-QFT
 - Form 1120, 1120-C, 1120-F, 1120-FSC, 1120-H, 1120-L, 1120-ND, 1120-PC, 1120-POL, 1120-REIT, 1120-RIC, 1120-SF
 - Form 8960
 - Form 8991
- With respect to Form 990-T, if that Form is due to be filed on April 15, then it has been postponed to July 15 under the Notice. For taxpayers whose Form 990-T is due on May 15, that due date has not been postponed under the Notice.
- With respect to returns due on March 16, 2020, which include Form 1065, Form 1065-B, Form 1066, and Form 1120-S for calendar year taxpayers, the filing of those returns has not been postponed.

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IRS Frequently Asked Questions Miscellaneous

- A2. You do not have to be sick, or quarantined, or have any other impact from COVID-19 to qualify for relief. You only need to have a Federal income tax return or payment due on April 15, 2020, as described above.
- A5. Any taxpayers who have filing or payment due dates other than April 15 have not been granted relief at this time.
- A6. Normal filing, payment, and deposit due dates continue to apply to both payroll and excise taxes.
- A7. Normal filing and payment due dates continue to apply to estate taxes but Notice 2020-20 extended filing and payment for gift taxes to July 15, 2020.

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IRS Frequently Asked Questions Extensions

- A12. If you are an individual, you can request an automatic extension to file your Federal income tax return if you can't file by the July 15 deadline.
 - The easiest and fastest way to request a filing extension is to file Form 4868.
 - Businesses, including trusts, must file Form 7004.
- You must request the automatic extension by July 15, 2020.
- If you properly estimate your 2019 tax liability using the information available to you and file an extension form by July 15, 2020, your tax return will be due on October 15, 2020.
 - To avoid interest and penalties when filing your tax return after July 15, 2020, pay the tax you estimate as due with your extension request.

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IRS Frequently Asked Questions Already Filed But Have Not Paid Yet

- A13. To avoid interest and penalties, pay your taxes in full by July 15, 2020. Interest and penalties will begin to be charged after July 15 for any amount remaining unpaid by that date.
- A14. A payment you have scheduled will not be automatically rescheduled to July 15. If you do nothing, the payment will be made on the date you chose.
- How to cancel and reschedule your payment:
 - If you scheduled a payment through IRS Direct Pay, you can use your confirmation number from the payment to access the Look Up a Payment feature.
 - You can modify or cancel a scheduled payment until two business days before the payment date.
 - The email notification you received when you scheduled the payment contains the confirmation number.
 - If you scheduled a payment through Electronic Federal Tax Payment System (EFTPS), click on Payments from the EFTPS home page, login, then click Cancel a Tax Payment from the left menu and follow the instructions.
 - You must do so at least two business days before the scheduled payment date.
 - If you scheduled a payment as part of filing your tax return (authorizing an electronic funds withdrawal), you may revoke (cancel) your payment by contacting the U.S. Treasury Financial Agent at [888-353-4537](tel:888-353-4537).
 - You must call to make a payment cancellation request no later than 11:59 p.m. ET two business days prior to the scheduled payment date.
 - If you scheduled a payment by credit card or debit card, contact the card processor to cancel the payment.

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IRS Frequently Asked Questions Estimated Payments and State Payments

- A16. Second quarter 2020 estimated income tax payments are still due on June 15, 2020.
 - First quarter 2020 estimated income tax payments are postponed from April 15 to July 15, 2020.
- A15. This relief applies only to Federal income tax payments.
 - State filing and payment deadlines vary and are not always the same as the Federal filing and payment deadline.

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IRS Frequently Asked Questions Retirement Plan Contributions And Penalties

- A17. Contributions can be made to your IRA, for a particular year, at any time during the year or by the due date for filing your return for that year.
 - Because the due date for filing Federal income tax returns has been postponed to July 15, the deadline for making contributions to your IRA for 2019 is also extended to July 15, 2020.
- A20. If an employer is a corporation with an April 15, 2020 due date for filing the Form 1120, then the grace period under section 404(a)(6) for the employer to make contributions to its workplace-based retirement plan that are treated as made on account of 2019 ends on July 15, 2020.
- A18. Because the 10% additional tax is calculated, reported, and paid at the same time as the income tax owed on the amounts includible in gross income on the distribution, the reporting and payment of the 10% additional tax also has been extended to July 15, 2020.
- A19. The date for removing excess elective deferrals subject to the 6% penalty is not extended as a result of this relief.

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IRS Frequently Asked Questions Health Savings Accounts (HSAs)

- A21. Contributions may be made to your HSA or Archer MSA, for a particular year, at any time during the year or by the due date for filing your return for that year.
 - Because the due date for filing Federal income tax returns is now July 15, 2020, under this relief, you may make contributions to your HSA or Archer MSA for 2019 at any time up to July 15, 2020.

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IRS Frequently Asked Questions Refund Claims And Underpayment Penalties

- A22. The relief provided for filing Federal income tax returns applies only to Federal income tax returns for the 2019 taxable year.
 - The Notice does not extend relief to any filings or payments for earlier years.
- A24. The relief does not change the estimated tax requirements or estimated tax penalty for 2019.
 - Relief from the penalty may be available under the normal rules.

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Increased Unemployment Benefits

- The CARES act takes numerous steps to expand unemployment benefits for American workers.
 - As businesses assess their own unique situation, it's important to take into account both what is best for their business and for their employees.
 - Would making someone eligible for unemployment be better for them than trying to retain them at reduced wages and hours?
- This bill adds \$600 per week from the federal government on top of whatever base amount a worker receives from the state.
 - That boosted payment will last for four months.
 - For example, an out-of-work person who earned \$850 per week and would normally receive the national average of about \$340 per week in unemployment will receive \$940 (\$340 + 600) under the new federal program.

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Unemployment Extended Time Period

- The legislation also adds 13 weeks of additional unemployment insurance.
 - People nearing the maximum number of weeks allowed by their state would get an extension.
 - New filers would also be allowed to collect the benefits for the longer period.
- A temporary fund is created that provides unemployment to individuals who are not traditionally eligible for such benefits, such as self-employed people or workers in the “gig” economy.
- States will be reimbursed by the Federal government for the additional week of benefits if they opt to start benefits immediately instead of waiting the traditional one-week waiting period.

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TCJA Technical Correction For Improvements

- Provides a technical correction for qualified improvement property enabling businesses to immediately write-off costs associated with improving facilities (correcting a drafting error in the 2017 Tax Cuts and Jobs Act (TCJA))
 - AMENDED TAX RETURN OPPORTUNITY.
- Qualified improvement property is any improvement to the interior of a nonresidential building that is placed in service after the building is first placed in service.
- Qualified improvement property does not include improvements that are attributable to the enlargement of the building, elevators or escalators, or the internal structural framework of the building.
 - The change is retroactive to the date of enactment of the TCJA.

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Corporate Alternative Minimum Tax

- The TCJA repealed the corporate AMT and allowed corporations to claim corporate AMT credits over several years until 2021.
 - The CARES Act allows corporations with outstanding AMT credits to claim their credits immediately.
 - Thus, amended returns could be filed to claim credits.

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Interest Expense and Net Operating Losses

- Temporarily increases the limitation on the ability to deduct interest expense from 30% to 50% of taxable income for 2019 and 2020 (applicable to taxpayers with gross receipts over \$25M).
- Allows net operating losses (NOL) from 2018, 2019, or 2020 to be carried back five years, and temporarily removes the 80% of taxable income limitation allowing an NOL to fully offset income.
 - Modifies the loss limitation applicable to pass-through business owners and sole proprietors to allow full utilization of business losses rather than the \$500,000 limit (\$250,000 for single filers) as required under the TCJA.

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Refundable Employee Retention Payroll Tax Credit

- Provides a refundable payroll tax credit (the Employee Retention Tax Credit) for 50% of wages (including health benefits) paid by employers to employees during the COVID-19 crisis.
- The credit is available to employers whose (i) operations were fully or partially suspended, due to a COVID-19-related shut-down order, or (ii) gross receipts declined by more than 50% when compared to the same quarter in the prior year.
 - The 50% credit is generally provided for up to \$10,000 of compensation, including health benefits, paid to each eligible employee from March 13 to December 31, 2020.
- The employee retention credit is available for employers with more than 500 employees, but for employers with more than 100 employees, the credit is available only with respect to wages paid to an employee that is not providing services due to the circumstances described in (i) and (ii) above.
 - Section 501(c) tax-exempt organizations are eligible for the credit, but governmental entities and companies receiving small business interruption loans under the CARES Act are not.

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Company A					
	Q1	Q2	Q3	Q4	Total Annual Revenue
2019 Revenue	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 400,000.00
2020 Revenue	\$ 80,000.00	\$ 45,000.00	\$ 75,000.00	\$ 82,000.00	\$ 282,000.00



Company B					
	Q1	Q2	Q3	Q4	Total Annual Revenue
2019 Revenue	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 400,000.00
2020 Revenue	\$ 65,000.00	\$ 55,000.00	\$ 60,000.00	\$ 68,000.00	\$ 248,000.00

	Not eligible for Credit
	Eligible for Credit

Source: Michael Kitces.com

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The CARES Act – Five Ways Businesses Can Receive Cash Right Now (as of 3/31/20)

	Economic Injury Disaster Loans (EIDL)	The Paycheck Protection Program (PPP)	Payroll Tax Deferral (PTD)	Employee Retention Credit (ERC)	Credit Support Relief (CSR) for Large Businesses
Key Features	<ul style="list-style-type: none"> Low interest Federal loans (3.75% for businesses, 2.75% for not-for-profits) up to \$2 million dollars, with maximum maturity of 30 years. 	<ul style="list-style-type: none"> Non-recourse forgivable loans at up to 4% interest and maximum 10-year maturity. Loan forgiveness, if proceeds are used for payroll, rent, mortgage interest, utilities, etc. Forgivable amount must be spent within 8 weeks of the date of the loan. Maximum loan amount equal to 2.5 X average monthly payroll over prior 12 months (\$100,000 salary limit per employee). No taxable income recognition upon the debt relief. 	<ul style="list-style-type: none"> Defers due date of employer portion of payroll tax liability incurred from 3/27/20 to 12/31/20. Available to businesses and sole proprietors. Applies to payroll tax liabilities incurred from March 27, 2020 through December 31, 2020. 50% of deferred tax liability becomes due on 12/31/2021, remaining 50% due 12/31/2022. No interest or penalties will be charged, and no limits or caps on amount. 	<ul style="list-style-type: none"> Cash payment equal to 50% of employee wages, up to \$5,000 per employee. Takes the form of refundable payroll tax credit. Not available if PPP relief is obtained. For employers averaging 100 or fewer employees in 2019, all qualified wages are included. For employers averaging more than 100 employees during 2019, there are restrictions on what constitutes qualified wages. 	<ul style="list-style-type: none"> Non-forgivable loan issuance at the discretion of the Treasury, no maximum amount. Rates and specific terms negotiable, with maturities not to exceed 5 years.
Eligibility	<ul style="list-style-type: none"> Must qualify as a "small business" under Small Business Administration (SBA) guidelines as modified by the CARES Act. Generally, under 500 employees and not a prohibited business, e.g., an investment fund. Proceeds can be used for payroll, rent, utilities or mortgage interest. No need to demonstrate direct virus induced hardship. 	<ul style="list-style-type: none"> Must demonstrate adverse impact on the business such as staffing challenges or reduction in sales and/or customers. Other requirements similar to the EIDL eligibility. Employee headcount must be maintained. 	<ul style="list-style-type: none"> No requirement of direct adverse effect from the coronavirus. Not available if PPP relief is obtained and is coupled with debt forgiveness. 	<ul style="list-style-type: none"> Requires full or partial shut-down of the business, or 50% reduction of gross receipts. 	<ul style="list-style-type: none"> Targets businesses that do not qualify under SBA guidelines. Certain limitations with respect to dividend payouts, stock buybacks and compensation levels.
How to Apply	<ul style="list-style-type: none"> Application is made directly to the SBA. Electronic application available online. 	<ul style="list-style-type: none"> Loan applications are made directly to and administered by approved SBA 7(a) lenders. 	<ul style="list-style-type: none"> No application required, amounts reflected within quarterly Form 941 payroll filings. 	<ul style="list-style-type: none"> No application required, amounts reflected within quarterly Form 941 payroll filings. 	<ul style="list-style-type: none"> Awaiting specific guidance.

Source: PKF O'Connor Davies

PAYCHECK PROTECTION PROGRAM (PPP) INFORMATION SHEET

• BORROWERS

- The Paycheck Protection Program ("PPP") authorizes up to \$349 billion in forgivable loans to small businesses to pay their employees during the COVID-19 crisis.
- **All loan terms will be the same for everyone.**
- The loan amounts will be forgiven as long as:
 - The loan proceeds are used to cover payroll costs, and most mortgage interest, rent, and utility costs over the 8-week period after the loan is made; and
 - Employee and compensation levels are maintained.

PPP Information Sheet

- Per-employee payroll costs are capped at \$100,000 on an annualized basis.
- Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.
 - Loan payments will be deferred for 6 months.

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When Can I Apply?

- Starting April 3, 2020, small businesses and sole proprietorships can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders.
 - Starting April 10, 2020, independent contractors and self-employed individuals can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders.
- Other regulated lenders will be available to make these loans as soon as they are approved and enrolled in the program.

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Where Can I Apply?

- You can apply through any existing SBA lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating.
 - Other regulated lenders will be available to make these loans once they are approved and enrolled in the program.
 - You should consult with your local lender as to whether it is participating.
- Visit www.sba.gov for a list of SBA lenders.

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1

Am I ELIGIBLE?

You are eligible if you are:

- A small business with fewer than 500 employees
- A small business that otherwise meets the SBA's size standard
- A 501(c)(3) with fewer than 500 employees
- An individual who operates as a sole proprietor
- An individual who operates as an independent contractor
- An individual who is self-employed who regularly carries on any trade or business
- A Tribal business concern that meets the SBA size standard
- A 501(c)(19) Veterans Organization that meets the SBA size standard

In addition, some special rules may make you eligible:

- If you are in the accommodation and food services sector (NAICS 72), the 500-employee rule is applied on a per physical location basis
- If you are operating as a franchise or receive financial assistance from an approved Small Business Investment Company the normal affiliation rules do not apply

REMEMBER: The 500-employee threshold includes all employees: full-time, part-time, and any other status.

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2

What will lenders be LOOKING FOR?

In evaluating eligibility, lenders are directed to consider whether the borrower was in operation before February 15, 2020 and had employees for whom they paid salaries and payroll taxes or paid independent contractors.

Lenders will also ask you for a good faith certification that:

1. The uncertainty of current economic conditions makes the loan request necessary to support ongoing operations
2. The borrower will use the loan proceeds to retain workers and maintain payroll or make mortgage, lease, and utility payments
3. Borrower does not have an application pending for a loan duplicative of the purpose and amounts applied for here
4. From Feb. 15, 2020 to Dec. 31, 2020, the borrower has not received a loan duplicative of the purpose and amounts applied for here (Note: There is an opportunity to fold emergency loans made between Jan. 31, 2020 and the date this loan program becomes available into a new loan)

If you are an independent contractor, sole proprietor, or self-employed individual, lenders will also be looking for certain documents (final requirements will be announced by the government) such as payroll tax filings, Forms 1099-MISC, and income and expenses from the sole proprietorship.

What lenders will NOT LOOK FOR

- That the borrower sought and was unable to obtain credit elsewhere.
- A personal guarantee is not required for the loan.
- No collateral is required for the loan.

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3

How much can I BORROW?

Loans can be up to 2.5 x the borrower's average monthly payroll costs, not to exceed **\$10 million**.

How do I calculate my average monthly PAYROLL COSTS?



$$\text{sum of INCLUDED payroll costs} - \text{sum of EXCLUDED payroll costs} = \text{PAYROLL COSTS}$$

INCLUDED Payroll Cost:

1. **For Employers:** The sum of payments of any compensation with respect to employees that is a:
 - 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
 - payment required for the provisions of group health care benefits, including insurance premiums
 - payment of any retirement benefit
 - payment of state or local tax assessed on the compensation of the employee
2. **For Sole Proprietors, Independent Contractors, and Self-Employed Individuals:** 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, or similar compensation and that is in an amount that is not more than \$100,000 in one year, as pro-rated for the covered period.

EXCLUDED Payroll Cost:

1. Compensation of an individual employee in excess of an annual salary of \$100,000, as pro-rated for the period February 15, to June 30, 2020
2. Payroll taxes, railroad retirement taxes, and income taxes
3. Any compensation of an employee whose principal place of residence is outside of the United States
4. Qualified sick leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act (Public Law 116-512); or qualified family leave wages for which a credit is allowed under section 7003 of the Families First Coronavirus Response Act



NON SEASONAL EMPLOYERS:

Maximum loan =

2.5 X Average total monthly payroll costs incurred during the year prior to the loan date

For businesses not operational in 2019:

2.5 X Average total monthly payroll costs incurred for January and February 2020

SEASONAL EMPLOYERS:

Maximum loan =

2.5 X Average total monthly payments for payroll costs for the 12-week period beginning February 15, 2019 or March 1, 2019 (decided by the loan recipient) and ending June 30, 2019

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Two Person Example

- Ann (age 55) and Bill (age 42) are the only employees of ABC Company.
- Ann earns \$130,000 in compensation, received pre-tax medical insurance and other benefits worth \$20,000, and contributes \$26,000 to the company's 401(k).
 - The payroll tax costs associated with Ann's pay were: FICA - \$19,090 ($.0765 \times \$130,000 = \$9,945 \times 2$); federal income tax - \$16,000; and state income tax - \$5,400.
- Bill earns \$72,000, receives pre-tax benefits of \$15,000, and contributes \$12,000 to the 401(k).
 - The payroll tax costs associated with Bill's pay were: FICA - \$11,016 ($.0765 \times \$72,000 = \$5,508 \times 2$); federal income tax - \$6,400; and state income tax - \$3,000.

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Maximum Loan Amount - Ann and Bill Example

Payroll Item	Ann	Bill
Compensation	\$100,000 ($\$130,000 - 26,000 = \$104,000$, limited to \$100,000)	\$60,000 ($\$72,000 - 12,000 = \$60,000$)
Plus pre-tax benefits	20,000	15,000
Plus 401(k)	26,000	12,000
Minus FICA and FIT	<u>(35,090)</u> ($\$19,090 + 16,000$)	<u>(17,416)</u> ($\$11,016 + 6,400$)
Annual payroll cost	\$110,910	\$69,584
Divided by 12 months	\$ 9,243	\$ 5,799
Average monthly payroll	\$15,042 ($\$9,243 + 5,799$)	
Maximum Loan	\$15,042 x 2 = \$30,084 for payroll costs, plus \$7,521 (25% of \$30,084) = \$37,605 ($2.5 \times \$15,042$)	

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Must Choose Between The PPP Loan and the Employee Retention Credit

- Employers who take advantage of a PPP loan cannot claim an employee retention credit of up to 50% of payroll tax costs.
 - Ann's and Bill's payroll tax costs (FICA) were \$30,106 (\$19,090 + 11,016).
 - The payroll tax credit would have been 50% of that amount or \$15,053 (\$30,106 x .50).
- If the PPP loan in the amount of \$37,605 is forgiven, then the PPP loan is the better choice.
 - If the loan has to be repaid with interest, then ABC would have been better off forgoing the loan and claiming the credit.

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4 Will this loan be FORGIVEN?

Borrowers are eligible to have their loans forgiven.

How Much?

A borrower is eligible for loan forgiveness equal to the amount the borrower spent on the following items during the 8-week period beginning on the date of the origination of the loan:

- Payroll costs (using the same definition of payroll costs used to determine loan eligibility)
- Interest on the mortgage obligation incurred in the ordinary course of business
- Rent on a leasing agreement
- Payments on utilities (electricity, gas, water, transportation, telephone, or Internet)
- For borrowers with tipped employees, additional wages paid to those employees

The loan forgiveness cannot exceed the principal.

How could the forgiveness be reduced?

The amount of loan forgiveness calculated above is reduced if there is a reduction in the number of employees or a reduction of greater than 25% in wages paid to employees. Specifically:

Reduction based on reduction of number of employees

PAYROLL COST
Calculated on page 2

X

Average Number of Full-Time Equivalent Employees (FTEs) Per Month for the 8-Weeks Beginning on Loan Origination

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Option 1:
Average number of FTEs per month from February 15, 2019 to June 30, 2019

Option 2:
Average number of FTEs per month from January 1, 2020 to February 29, 2020

For Seasonal Employers:
Average number of FTEs per month from February 15, 2019 to June 30, 2019

Reduction based on reduction in salaries

PAYROLL COST
Calculated on page 2

-

For any employee who did not earn during any pay period in 2019 wages at an annualized rate more than \$100,000, the amount of any reduction in wages that is greater than 25% compared to their most recent full quarter.

What if I bring back employees or restore wages?

Reductions in employment or wages that occur during the period beginning on February 15, 2020, and ending 30 days after enactment of the CARES Act, (as compared to February 15, 2020) shall not reduce the amount of loan forgiveness **IF** by June 30, 2020 the borrower eliminates the reduction in employees or reduction in wages.

WHAT'S NEXT?

Look out for more information about eligible lenders and additional loan guidance.

Visit [sba.gov](https://www.sba.gov) for updates.

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Nontaxable Loan Forgiveness

- Amounts forgiven are not included as income under IRC Section 108 for cancellation of indebtedness.
 - Furthermore, it appears that employers can continue to deduct the payments of salary, rent, interest, and utility payments as trade or business expenses even if the business is technically not paying anything out of pocket for those expenses.

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What Do I Need To Certify?

- As part of your application, you need to certify in good faith that:
 - **Current economic uncertainty makes the loan necessary to support your ongoing operations.**
 - **The funds will be used to retain workers and maintain payroll or to make mortgage, lease, and utility payments.**
 - You have not and will not receive another loan under this program.
 - You will provide to the lender documentation that verifies the number of full-time equivalent employees on payroll and the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight weeks after getting this loan.
 - Loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities.

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Additional Certifications

- Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.
- All the information you provided in your application and in all supporting documents and forms is true and accurate.
- Knowingly making a false statement to get a loan under this program is punishable by law.
- You acknowledge that the lender will calculate the eligible loan amount using the tax documents you submitted.
- You affirm that the tax documents are identical to those you submitted to the IRS.
- And you also understand, acknowledge, and agree that the lender can share the tax information with the SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program Requirements and all SBA reviews.

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Paycheck Protection Program Application Form

OMB Control No. 3245-0046
Expiration Date: 09/30/2020

Non-Profit Vet Org Tribal Ind. Cont. Self Employed

Business Legal Name		DBA or Tradename if applicable	
Business Primary Address		Business TIN (EIN/SSN)	Business Phone
		()	
		Primary Contact	Email Address

Average Monthly Payroll: \$ _____ X 2.5 equals Loan Amount: \$ _____ Number of Jobs: _____

Purpose of the loan (select more than one): Payroll Rent / Mortgage Interest Utilities Other (explain): _____

Applicant Ownership

List all owners of Applicant with greater than 20% ownership stakes. Attach a separate sheet if necessary.

Owner Name	Title	Ownership %	TIN (EIN/SSN)	Address


If questions (1) or (2) below are answered "Yes," the loan will not be approved.

Question	Yes	No
1. Is the Business or any owner presently suspended, debarred, proposed for debarment, declared ineligible, voluntarily excluded from participation in this transaction by any Federal department or agency, or presently involved in any bankruptcy?	<input type="checkbox"/>	<input type="checkbox"/>
2. Has the Business, any of its owners, or any business owned or controlled by any of them, ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is currently delinquent or has defaulted in the last 7 years and caused a loss to the government?	<input type="checkbox"/>	<input type="checkbox"/>
3. Is the Business or any owner an owner of any other business or have common management with any other business? If yes, attach a listing of all Affiliates and describe the relationship as addendum A.	<input type="checkbox"/>	<input type="checkbox"/>
4. Has the Business received an SBA Economic Injury Disaster Loan between January 31, 2020 and April 3, 2020? If yes, provide details on a separate sheet identified as addendum B.	<input type="checkbox"/>	<input type="checkbox"/>

Applicants who are individuals and all 20% or greater owners of the business must answer the following questions. If questions (5) or (6) are answered "Yes" or question (7) is answered "No," the loan will not be approved.

Question	Yes	No
5. Are you presently subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction, or presently incarcerated, on probation or parole? <i>Initial here to confirm your response to question 5—</i>	<input type="checkbox"/>	<input type="checkbox"/>
6. Within the last 7 years, for any felony or misdemeanor for a crime against a minor, have you: 1) been convicted, 2) pleaded guilty, 3) pleaded nolo contendere, 4) been placed on pretrial diversion, or 5) been placed on any form of parole or probation (including probation before judgment)? <i>Initial here to confirm your response to question 6—</i>	<input type="checkbox"/>	<input type="checkbox"/>
7. <input type="checkbox"/> I am a U.S. Citizen. <input checked="" type="checkbox"/> I have Lawful Permanent Resident status. <input type="checkbox"/> No <i>Initial here to confirm your response to question 7—</i>	<input type="checkbox"/>	<input type="checkbox"/>

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 **Paycheck Protection Program**
Application Form

OMB Control No.: 3245-0047
Expiration Date: 06/30/2020

By Signing Below, You Make the Following Representations, Authorizations, and Certifications:

REPRESENTATIONS AND AUTHORIZATIONS

I represent that:

- I have read the Statements Required by Law and Executive Order included in this form, and I understand them.
- I will comply, whenever applicable, with the civil rights and other limitations in this form.
- All SBA loan proceeds will be used only for business related purposes as specified in the loan application.
- To the extent feasible, I will purchase only American-made equipment and products.
- The Applicant is not engaged in any activity that is illegal under federal, state or local law.

For Applicants who are individuals and all Associates: I authorize the SBA to request criminal record information about me from criminal justice agencies for the purpose of determining my eligibility for programs authorized by the Small Business Act, as amended.

CERTIFICATIONS

The Business and each 20% or greater owner must certify in good faith to all of the below by **initialing** next to each one:

_____ Current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.

_____ The funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments, and utility payments; I understand that if the funds are used for unauthorized purposes, the federal government may pursue criminal fraud charges.

_____ Documentation verifying the number of full-time equivalent employees on payroll as well as the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight week period following this loan will be provided to the lender.

_____ Loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities. Due to likely high subscription, it is anticipated that not more than twenty-five percent (25%) of the forgiven amount may be for non-payroll costs.

_____ During the period beginning on February 15, 2020 and ending on December 31, 2020, the Applicant has not and will not receive another loan under this program.

_____ I further certify that the information provided in this application and the information that I have provided in all supporting documents and forms is true and accurate. I realize that knowingly making a false statement to obtain a guaranteed loan from SBA is punishable under 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a Federally insured institution, under 18 USC 1014 by imprisonment of not more than three years and/or a fine of not more than \$1,000,000.

_____ I acknowledge that the lender will calculate the eligible loan amount using tax documents I have submitted. I affirm that these tax documents are identical to those I submitted to the IRS. I also understand, acknowledge and agree that the Lender can share the tax information with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program Requirements and all SBA reviews.

Signature of Authorized Representative of Business	Date
Print Name	Title
Signature of Owner of Applicant Business	Date
Print Name	Title

SBA Form 2483 (03/20)75

Thank You For Attending!

- I am happy to answer questions.
- 949-527-2279
- RGardner@EstatePlanInc.com



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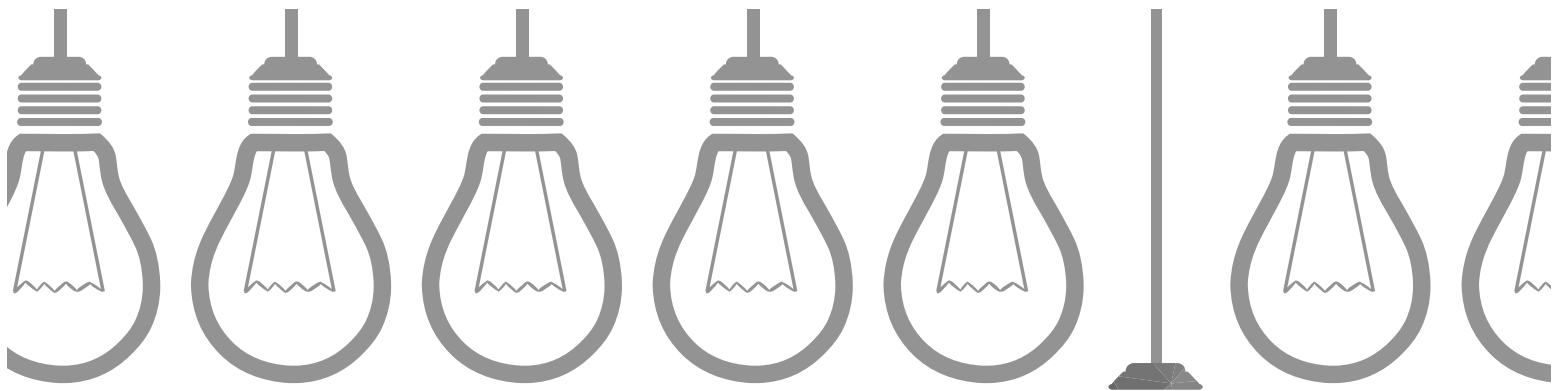
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2020 CONFERENCES

CalCPA conferences offer valuable learning experiences and unique networking opportunities. Engage with industry leaders, get timely updates impacting the profession and make meaningful connections with like-minded professionals.

APRIL

School Districts #CalCPAed
April 17: Webcast only

Women's Leadership #CalCPAWomen
April 24: Webcast

MAY

Governmental Accounting and Auditing #CalCPAGAA
May 5: Virtual Conference

Not-for-Profit Organizations #CalCPANPO
May 20: Virtual Conference

JUNE

Employee Benefit Plans Annual Audit #CalCPAEBP
June 12: Virtual Conference

Entertainment Industry #CalCPAEnt
June 23: Virtual Conference

JULY

Estate and Trust Planning (2 Days) #CalCPAEstate
July 13-14: Los Angeles | Webcast

AUGUST

Cannabis Industry #CalCPA420
Aug. 7: Bay Area | Webcast

OCTOBER

Farmers Tax and Accounting #CalCPAAG
Oct. 1: Fresno | Webcast

Family Law #CalCPAFamLaw
Oct. 22: Los Angeles | Webcast
Oct. 23: Bay Area

Accounting and Auditing (2 Days) #CalCPAAA
Oct 29-30: Los Angeles | Webcast

NOVEMBER

Federal, State, Local and International Taxation (2 days) #CalCPATax
Nov. 19-20: Burbank | Webcast

DECEMBER

Wine Industry #CalCPAWine
Dec. 7: Napa | Webcast

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CPE Weeks are getting a makeover. Stay tuned for a new name and a refreshed experience this fall!

SAN LUIS OBISPO
Nov. 2-6

PALM SPRINGS
Nov. 30-Dec. 4

Register Today!

calcpa.org/conferences
calcpa.org/cpeweeks



Dates and locations subject to change

SELF STUDY

Accounting

Course Number	Name	Format	CPE	Member	Nonmember
KAP23308	Accounting Impairment Issues	On-demand	2	\$66	\$92
KAP25680	Accounts Payable Best Practices	On-demand	2	\$66	\$92
KAP19064	Interpreting Cash Flow Statements	PDF	2	\$56	\$82
RATIOOD17	Key Ratio Analysis	On-demand	8	\$265	\$369
KAP21282	Principles of Financial Statement Presentation - ASC 200	PDF	3	\$84	\$123
KAP22293	The Sarbanes-Oxley Act and Corporate Governance	PDF	3	\$84	\$123
KAP17988	Traditional Financial Statement Analysis	PDF	2	\$56	\$82

Auditing

Course Number	Name	Format	CPE	Member	Nonmember
KAP25805	Audit Evidence: Requirements, Types and Limitations	On-demand	2	\$66	\$92
KAP22987	Non-Statistical Sampling for Efficient Audits	PDF	1	\$28	\$41
KAP25825	PCAOB's Risk-Based Audit Approach	PDF	1	\$28	\$41
KAP25804	Real-World Inventory Frauds: Lessons for Auditors	On-demand	2	\$66	\$92

Business and Industry

Course Number	Name	Format	CPE	Member	Nonmember
CASHOD17	Cash and Credit Management	On-demand	8	\$265	\$369
COEIMOL16	Getting Cash Out of Your Business	PDF	19	\$532	\$779
COEIMOL18	Getting Cash Out of Your Business Mini-Course	PDF	3	\$84	\$123
KAP18293	Strategic Management: Concepts and Tools: Part 1	PDF	5	\$140	\$205
KAP18294	Strategic Management: Concepts and Tools: Part 2	PDF	5	\$140	\$205
KAP19001	Strategic Planning Process	PDF	2	\$56	\$82

Ethics

Course Number	Name	Format	CPE	Member	Nonmember
ALET4OD19	Accountancy Laws, Ethics, Taxes and Financial Reporting Review—Ethics	On-demand	4	\$132	\$184
ALET2OD19	Accountancy Laws, Ethics, Taxes and Financial Reporting: Regulatory Review	On-demand	2	\$66	\$92
PRCO4OD18	Professional Conduct & Ethics: Dealing with Ethical Crises	On-demand	4	\$132	\$184

Technology

Course Number	Name	Format	CPE	Member	Nonmember
KAP25400	Cloud Computing: Trends, Strategies and Best Practices	On-demand	1	\$33	\$46
KAP25323	Overview of E-Commerce and Internet Security	On-demand	1	\$33	\$46
KAP25304	The Impact of Cloud Computing on Business and IT	On-demand	1	\$33	\$46
KAP25847	Using Excel for Corporate Accounting	On-demand	2	\$66	\$92



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