
Welcome!

The webinar will begin shortly...

While you wait, here are some fast facts about HR outsourcing:

3:00

minutes

until the webinar starts

Companies that outsource HR to a professional employer organization (PEO) are **50% less likely** to go out of business.



"Professional Employer Organizations: Keeping Turnover Low & Survival High" McBassi & Company, 2014

The webinar will begin shortly...

2:00

minutes

until the webinar starts

While you wait, here are some fast facts about HR outsourcing:

Companies that use a professional employer organization (PEO) are **28% more satisfied** with their available selection of employee benefits.



"PEOs: Taking Outsourcing a Step Beyond Pays off for Small & Mid-Sized Companies" Aberdeen Group, 2011

The webinar will begin shortly...

1:00

minute

until the webinar starts

While you wait, here are some fast facts about HR outsourcing:

G&A Partners has an average Net Promoter Score (NPS) that is **35x higher** than that of the HR outsourcing industry.



"NPS Benchmarks for B2B" Inavero, 2014



⊕ PPP Loan Forgiveness: What You Need to Know

Rolando Garcia, JD, CPA, Doeren Mayhew

Before we begin...

- **We are recording this webinar.** The on-demand recording will be available on our website by the end of the week.
- If at any time during the presentation you have a question you'd like us to answer, send it to us using the "Questions" tab in the GoToWebinar menu bar.

About G&A Partners

G&A Partners delivers **world-class HR solutions** that help build thriving businesses and make a difference in the lives of the clients and employees we serve.

G&A Partners has a local presence in the following markets:



Agenda

- + Broad overview and status of relief actions
- + The U.S. Small Business Administration's (SBA) Paycheck Protection Program (PPP) loan forgiveness
- + Payroll tax credits and deferment
- + Phase IV legislation



Rolando Garica, JD, CPA
Shareholder
Doeren Mayhew

Broad Overview & Status of Relief Actions

Pandemic Relief Legislation

Phase
I

Coronavirus
Preparedness &
Response
Supplemental
Appropriations Act,
2020

Phase
II

Families First
Coronavirus
Response
Act (FFCRA)

Phase
III

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

Phase
IV

*Health & Economic
Recovery Omnibus
Emergency Solutions
(HEROES) Act
(TBD)*

Relief Options Available

Employee Retention Credit

Amount

Up to \$5,000 per employee

Eligibility

Business must be fully or partially closed OR have 50% sales decrease

Restrictions

Cannot accept PPP loan

Payroll Tax Deferment

Amount

Employer portion of FICA

Repayment

50% by 12/31/21
50% by 12/31/22

Restrictions

Can defer until PPP loan forgiveness

EIDL

Amount

Up to \$10K in grants; low interest loans

Eligibility

Businesses w/ <500 employees

Restrictions

Eff. 5/20
loan limit is \$150K and for ag business

PPP

Amount

Up to \$10M; forgivable

Eligibility

Businesses w/ <500 employees

Restrictions

Affiliation & certification

Main Street Lending

Amount

Up to \$25M

Eligibility

Businesses w/ Up to 15K employees or \$5B revenue

Restrictions

Affiliation; Dividends; Compensation

SBA PPP Loan Forgiveness

SBA PPP Loan Forgiveness

- ⊕ Up to 100% of a PPP loan is forgivable if money is spent over an 8-week period on payroll, rent, utilities and mortgage interest
- ⊕ SBA released application on May 15, 2020
- ⊕ 11 pages
- ⊕ Maintains 75/25 limits

Loan Forgiveness Key Terms

- **Covered Period:** The 8-week period of loan begins on same date as loan disbursement date
- **Alternative Payroll Covered Period:** Election which allows a borrower to start counting the 8-week period on the first day of its first pay period following the loan disbursement date; must have a biweekly or more frequent payroll schedule

Example: Alternative Payroll Covered Period

- + Loan proceeds received Monday, April 20
- + 1st day of 1st pay period after this date is Sunday, April 26
- + Thus, 1st day of the Alternative Period is April 26 and the last day of the Alternative Period is Saturday, June 20
- + General rule would have an April 20 start date

Eligible Payroll Costs

- ⊕ “...Payroll costs paid and payroll costs incurred during the eight-week (56-day)...”
- ⊕ “Payroll costs are considered paid on the day that paychecks are distributed or the Borrower originates an ACH credit transaction”
- ⊕ Payroll costs are considered incurred on the day that the employee’s pay is earned

Eligible Payroll Costs

- + “Payroll costs incurred but not paid during the...last pay period of the Covered Period or Alternative Period...are eligible for forgiveness if paid on or before the next regular payroll date”
- + “Otherwise, payroll costs must be paid during the Covered Period (or Alternative Payroll Covered Period)

Eligible Nonpayroll Costs

- + “...Payments of interest (not including any prepayment...) on any business mortgage obligation on real or personal property incurred before 2/15/2020...”
- + “...Business rent or lease payments pursuant to lease agreements for real or personal property in force before 2/15/2020...”
- + “...Business payments for a service for the distribution of electricity, gas, water, transportation, telephone, or internet access for which service began before 2/15/2020...”

Eligible Nonpayroll Costs

- + An eligible nonpayroll cost must be paid during the Covered Period or incurred during the Covered Period and paid on or before the next regular billing date, even if the billing date is after the Covered Period
- + Limited to 25%
- + Note that the Alternative Period is not available to use as a start date

Forgiveness Amount Calculation

Forgiveness Amount Calculation:

Payroll and Nonpayroll Costs

Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10):

Line 2. Business Mortgage Interest Payments:

Line 3. Business Rent or Lease Payments:

Line 4. Business Utility Payments:

Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions

Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3):

Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5:

Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13):

Potential Forgiveness Amounts

Line 8. Modified Total (multiply line 6 by line 7):

Line 9. PPP Loan Amount:

Line 10. Payroll Cost 75% Requirement (divide line 1 by 0.75):

Forgiveness Amount

Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10):

Step-by-Step Approach

- + **Step 1:** Select your 8-week covered period and compile information for line 9 of main form
- + **Step 2:** Track payroll costs for 8-week period selected
- + **Step 3:** Track nonpayroll costs (must use loan funding date as day 1 of 8-week period)
- + **Step 4:** Calculate FTEs for relevant time frames
- + **Step 5:** Calculate any reduction in wages or whether safe harbor is satisfied

Step 1: Select Your 8-Week Covered Period & Compile Information for Line 9 of the Main Form

Step 1: Basic Information

Select your 8-week covered period			
PPP Loan Disbursement Date			Per the SBA forgiveness application released on May 15, 2020, if multiple disbursements were received, enter the date of the first disbursement.
Alternative Payroll Covered Period Date			Per the SBA forgiveness application released on May 15, 2020, borrowers with a bi-weekly or more frequent pay period may begin their 8-week covered period on the date of the first pay period after their funds were received. For example, if funds were received on Monday, April 27 and the next pay period starts on Sunday, May 3, the borrower may select an 8-week covered period that begins on Sunday, May 3. See note 1 below.
Selected start of 8-week covered period			

Line 9 = PPP Loan Amount

Step 2: Track Payroll Costs for 8-Week Period Selected

Step 2: Payroll Costs

PPP Schedule A Worksheet, Table 1 Totals										
Line 1. Enter Cash Compensation (Box 1) from PPP Schedule A Worksheet, Table 1						-	Will carry over from Schedule A worksheet			
Line 2. Enter Average FTE (Box 2) from PPP Schedule A Worksheet, Table 1						-	Will carry over from Schedule A worksheet			
Line 3. Enter Salary/Hourly Wage Reduction (Box 3) from PPP Schedule A Worksheet, Table 1						-	Will carry over from Schedule A worksheet			
If the average annual salary or hourly wage for each employee listed on the PPP Schedule A Worksheet, Table 1 during the Covered Period or the Alternative Payroll Covered Period was at least 75% of such employee's average annual salary or hourly wage between January 1, 2020 and March 31, 2020, check the box on the forgiveness application and enter 0 on line 3. Line 3 will become zero based on the functionality of this spreadsheet, if applicable										
PPP Schedule A Worksheet, Table 2 Totals										
Line 4. Enter Cash Compensation (Box 4) from PPP Schedule A Worksheet, Table 2						-	Will carry over from Schedule A worksheet			
Line 5. Enter Average FTE (Box 5) from PPP Schedule A Worksheet, Table 2						0.0	Will carry over from Schedule A worksheet			

Step 2: Payroll Costs

Non-Cash Compensation Payroll Costs During the Covered Period or the Alternative Payroll Covered Period									
<i>See note 1 below</i>									
Line 6. Total amount paid for employer contributions for employee health insurance									
Line 7. Total amount paid for employer contributions to employee retirement plans									
Line 8. Total amount paid by Borrower for employer state and local taxes assessed on employee compensation									
Compensation to Owners									
Line 9. Total amount paid to owner-employees/self-employed individual/general partners:						-	Will carry over from Payroll Accumulator		
This amount may not be included in PPP Schedule A Worksheet, Table 1 or 2. If there is more than one individual included, attach a separate table that lists the names of and payments to each.									
Total Payroll Costs									
Line 10. Payroll Costs (add lines 1, 4, 6, 7, 8, and 9):						-	Will carry to PPP Forgiveness Calculator		

Note 1: Exclude the portions of these costs paid for owners

Step 2: PPP Schedule a Worksheet

Table 1				
<p>* For employees who were employed at any point during the covered period or alternative covered period whose principal place of residence is in the US; and</p> <p>* received compensation at an annualized rate of less than or equal to \$100,000 for all pay periods in 2019 or were not employed at any point in 2019.</p>				
Employee's name	Employee identifier	Cash compensation	Average FTE	Salary/Hourly Wage Reduction
See Payroll Accumulator tab for detailed information				
Total from Payroll Accumulator		-	-	Will carry over from Payroll Accumulator
Total From FTE Input			-	Will carry over from FTE Input
FTE Reduction Exceptions				Enter as a positive number
		-	-	-
Table 2				
<p>* For employees who were employed at any point during the covered period or alternative covered period whose principal place of residence is in the US; and</p> <p>* received compensation at an annualized rate of more than \$100,000 for any pay period in 2019.</p>				
Employee's name	Employee identifier	Cash compensation	Average FTE	
See Payroll Accumulator tab for detailed information				
Total from Payroll Accumulator		-		Will carry over from Payroll Accumulator
Total From FTE Input			-	Will carry over from FTE Input
		-	-	

FTE Reduction Exceptions

- + Any positions for which the Borrower made a good-faith, written offer to rehire an employee during the 8-week period which was rejected by the employee
- + Any employees who during the 8-week period:
 - + Were fired for cause,
 - + Voluntarily resigned, or
 - + Voluntarily requested and received a reduction of their hours

Table 1: Payroll Accumulator

Follow these steps:					
1	Run payroll reports by employee for the most recent full quarter				
		Exclude employees whose principal place of residence is not in the United States			
		Enter data into the applicable section below			
2	Run payroll reports by employee for the 8 week covered period or alternative covered period. <i>See AICPA recommendation to SBA below.</i>				
		Exclude employees whose principal place of residence is not in the United States			
		Enter data into the applicable section below			
3	These two sets of data will be compared to assess the amount of any decrease in compensation per employee.				

Only include in Table 1 employees who:

- were employed at any point during the covered period or alternative covered period whose principal place of residence is in the US; and
- received compensation at an annualized rate of **less than or equal to \$100,000 for all pay periods in 2019 or were not employed at any point in 2019**

Information for Table 1 of PPP Schedule A worksheet

Do not include owner-employees, self-employed individuals, or partners

Table 2: Payroll Accumulator

Only include in Table 2 employees who:

- employees who were employed at any point during the covered period or alternative covered period whose principal place of residence is in the US; and
- received compensation at an annualized rate **more than \$100,000 for any pay period in 2019.**

Information for Table 2 of PPP Schedule A worksheet

Do not include owner-employees, self-employed individuals or partners

Compensation Paid to Owners

Compensation paid to owners					
Total amount paid to owner-employees/self-employed individual/general partners					
This amount may not be included in the schedules above.					
		Covered Period or Alternative Covered Period		See Note 6 below for information	
Employee	Employee Identifier (i.e. last 4 digits of social security number)	Gross Wages Paid (See note 1 below)	Wages up to annualized \$100k limit (A)	8 week pro-rated 2019 compensation - Not to exceed \$15,385 (B)	Lesser of (A) or (B)
			-		-
			-		-
			-		-
			-		-
			-		-
		-	-	-	-
					Schedule A Line 9

Step 3: Track Nonpayroll Costs

Step 3: Nonpayroll Costs

- + Only include expenses that were in place under agreements that began before Feb. 15, 2020
- + Do not include payments for which you are not asking for forgiveness
- + Must be paid during the 8-week covered period OR incurred during the 8-week covered period AND paid on or before the next regular billing date
- + The “alternative covered period” available for payroll costs DOES NOT apply for these costs

Step 3: Nonpayroll Costs

Week #	Week Start	Week End	Business mortgage interest on real or personal property (Do not include any prepayments)	Business rent or lease payments for real or personal property	Business Utility Payments							Total Business Utility Payments
					Transportation	Electricity	Gas	Water	Phone	Internet	Other	
1												-
2												-
3												-
4												-
5												-
6												-
7												-
8												-
		Total	-	-	-	-	-	-	-	-	-	

Step 4: Calculate FTEs for Relevant Time Frames

Step 4: Calculate FTEs

- + There are various time frames for which average FTE data is needed
- + To calculate average FTE, 2 options:
 - + take the number of hours paid per week, divide by 40, and round the total to the nearest tenth, or
 - + assign an FTE of 1.0 to an employee that works 40 hours or more per week and an FTE of 0.5 to an employee that works fewer than 40 hours more per week

Step 4: Calculate FTEs

1	Enter the following for employees who:											
2	-Were employed at any point during the covered period or alternative covered period whose principal place of residence is in the US; and											
3	NOTE: Owners are not included in FTEs per the SBA Forgiveness Application released on May 15, 2020.											
4												
5	The average number of FTE employees on payroll employed by the Borrower during the covered period or alternative covered per											(1)
6												
7	Comparative Period: You are allowed to select the period you use. The comparison period with fewer FTEs will help maximize loan forgiveness.											
8	a. The average number of FTE employees on payroll employed by the Borrower between February 15, 2019 and June 30, 2019:											(1)
9												
10	Businesses not in operation in 2019, must select this period											
11	b. The average number of FTE employees on payroll employed by the Borrower between January 1, 2020 and February 29, 2020;											(1)
12												

Step 5: Calculate Any Reduction in Wages or Whether Safe Harbor is Satisfied

Step 5: Calculate Wage Reduction

- + This calculation will be used to determine whether the Borrower's loan forgiveness amount must be reduced due to reductions in employee salary and wages
- + This will depend on whether the salary or hourly wages of certain employees (Table 1) during the Covered Period or the Alternative Payroll Covered Period was less than during the period from January 1, 2020 to March 31, 2020
- + If the Borrower restores salary/hourly wage levels, the Borrower may be eligible for elimination of the Wage Reduction amount

Step 5: Calculate Wage Reduction

Step 1. Determine if pay was reduced more than 25%.

- a. Enter average annual salary or hourly wage during Covered Period or Alternative Payroll Covered Period: _____.
- b. Enter average annual salary or hourly wage between January 1, 2020 and March 31, 2020: _____.
- c. Divide the value entered in 1.a. by 1.b.: _____.
If 1.c. is 0.75 or more, enter zero in the column above box 3 for that employee; otherwise proceed to Step 2.

Step 2. Determine if the Salary/Hourly Wage Reduction Safe Harbor is met.

- a. Enter the annual salary or hourly wage as of February 15, 2020: _____.
- b. Enter the average annual salary or hourly wage between February 15, 2020 and April 26, 2020: _____.
If 2.b. is equal to or greater than 2.a., skip to Step 3. Otherwise, proceed to 2.c.
- c. Enter the average annual salary or hourly wage as of June 30, 2020: _____.
If 2.c. is equal to or greater than 2.a., the Salary/Hourly Wage Reduction Safe Harbor has been met – enter zero in the column above box 3 for that employee. Otherwise proceed to Step 3.

Step 5: Calculate Wage Reduction

Step 3. Determine the Salary/Hourly Wage Reduction.

- a. Multiply the amount entered in 1.b. by 0.75: _____.
- b. Subtract the amount entered in 1.a. from 3.a.: _____.

If the employee is an hourly worker, compute the total dollar amount of the reduction that exceeds 25% as follows:

- c. Enter the average number of hours worked per week between January 1, 2020 and March 31, 2020: _____.

- d. Multiply the amount entered in 3.b. by the amount entered in 3.c. _____. Multiply this amount by 8: _____. Enter this value in the column above box 3 for that employee.

If the employee is a salaried worker, compute the total dollar amount of the reduction that exceeds 25% as follows:

- e. Multiply the amount entered in 3.b. by 8: _____. Divide this amount by 52: _____. Enter this value in the column above box 3 for that employee.

Step 5: Determine if FTE Safe Harbor is Satisfied

FTE Reduction Safe Harbor

Step 1. Enter the borrower's total average FTE between February 15, 2020 and April 26, 2020. Follow the same method that was used to calculate Average FTE above.

Step 2. Enter the borrower's total FTE in the Borrower's pay period inclusive of February 15, 2020. Follow the same method that was used in step 1.

Step 3. If the entry for step 2 is greater than step 1, proceed to step 4. Otherwise, the FTE Reduction Safe Harbor is not applicable and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule. **This spreadsheet will complete this Step.**

Step 4. Enter the borrower's total FTE as of June 30, 2020.

Step 5. If the entry for step 4 is greater than or equal to step 2, enter 1.0 on line 13 of PPP Schedule A; the FTE Reduction Safe Harbor has been satisfied. Otherwise, the FTE Reduction Safe Harbor does not apply and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule. **This spreadsheet will complete this Step.**

Forgiveness Amount Calculation

Forgiveness Amount Calculation:

Payroll and Nonpayroll Costs

Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10):

Line 2. Business Mortgage Interest Payments:

Line 3. Business Rent or Lease Payments:

Line 4. Business Utility Payments:

Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions

Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3):

Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5:

Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13):

Potential Forgiveness Amounts

Line 8. Modified Total (multiply line 6 by line 7):

Line 9. PPP Loan Amount:

Line 10. Payroll Cost 75% Requirement (divide line 1 by 0.75):

Forgiveness Amount

Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10):

PPP Schedule A Worksheet, Table 1 Totals

Line 1. Enter Cash Compensation (Box 1) from PPP Schedule A Worksheet, Table 1:

Line 2. Enter Average FTE (Box 2) from PPP Schedule A Worksheet, Table 1:

Line 3. Enter Salary/Hourly Wage Reduction (Box 3) from PPP Schedule A Worksheet, Table 1:
If the average annual salary or hourly wage for each employee listed on the PPP
Schedule A Worksheet, Table 1 during the Covered Period or the Alternative Payroll
Covered Period was at least 75% of such employee's average annual salary or hourly
wage between January 1, 2020 and March 31, 2020, check here ☐ and enter 0 on line
3.

Enter on line 5 of
main form

PPP Schedule A Worksheet, Table 2 Totals

Line 4. Enter Cash Compensation (Box 4) from PPP Schedule A Worksheet, Table 2:

Line 5. Enter Average FTE (Box 5) from PPP Schedule A Worksheet, Table 2:

Non-Cash Compensation Payroll Costs During the Covered Period or the Alternative Payroll Covered Period

Line 6. Total amount paid by Borrower for employer contributions for employee health insurance:

Line 7. Total amount paid by Borrower for employer contributions to employee retirement plans:

Line 8. Total amount paid by Borrower for employer state and local taxes assessed on employee
compensation:

i.e. SUTA

Compensation to Owners

Line 9. Total amount paid to owner-employees/self-employed individual/general partners:
This amount may not be included in PPP Schedule A Worksheet, Table 1 or 2. If there is
more than one individual included, attach a separate table that lists the names of and
payments to each.

Total Payroll Costs

Line 10. Payroll Costs (add lines 1, 4, 6, 7, 8, and 9):

Enter on line 1 of
main form

Payroll Tax Credits & Deferment

Payroll Tax Relief

+ Phase II

- + Refundable credit against the employer-portion of OASDI equal to 100% of the sick leave and/or family leave wages paid during a specific period
- + Maximum = \$511 per day for sick leave (80 hours)
- + Maximum = \$200 per day for family leave for up to 10 weeks up to \$10,000

Phase II: Payroll Tax Relief

- + FAQs found at <https://www.irs.gov/newsroom/covid-19-related-tax-credits-for-required-paid-leave-provided-by-small-and-midsize-businesses-faqs>
- + Qs 1-19: general description
- + Qs 20-24: sick leave credit calculation
- + Qs 25-30: family leave credit calculation
- + Qs 31-26: how to calculate health care plan expenses
- + Qs 37-43: how to claim the credits
- + Qs 44-59: substantiation requirements
- + Qs 60-66: guidance for self-employed
- + Q 67: Miscellaneous re health care workers

Payroll Tax Relief

- + Phase III – CARES Act
 - + Refundable Employee Retention Credit
 - + Mutually Exclusive to PPP loans, but available to employers of all sizes
 - + Applies to wages paid after March 12, 2020 and before January 1, 2021
 - + Maximum amount of credit per employee is \$5,000 for the entire time period
 - + There are 94 FAQs at <https://www.irs.gov/newsroom/faqs-employee-retention-credit-under-the-cares-act>

Employee Retention Credit

- To be eligible, employers must either:
 - Be partially or totally shut down under a government order, OR
 - Experience a 50% decline in sales revenue.
- In most cases, employers eligible for both the PPP loan and the ERT will find it more advantageous to choose a PPP loan as long as a significant portion of the loan is forgiven

Employee Retention Credit

- + Three-part analysis:
 - + First, overall determination of employer eligibility;
 - + Second, determination of which calendar quarters the employer is eligible to receive the credit; and
 - + Third, determination of creditable qualified wages, which may need to be calculated on a per-employee and quarter-by-quarter basis

Employer Eligibility

- + Must be engaged in carrying on a trade or business in calendar year 2020
- + Employer can be of any size, but a more restrictive definition of qualified wages applies to employers with less than 100 employees
- + Employer may be a 501(c) organization
- + No overall dollar limitation on amount of credit
- + No requirement that an employer maintain employment

Eligible Calendar Quarters

- + Employer eligibility for the credit is determined on a calendar-quarter basis
- + There are 2 ways an employer may be eligible during a quarter:
 - + One, if the operation of the business is fully or partially suspended during the calendar quarter because of an order of a government authority limiting commerce, travel, or group meetings (for commercial, social, religious, or other purposes) because of COVID-19, qualifying wages paid by the employer during that quarter qualify.
 - + Two is a gross receipts test comparing gross receipts in each calendar quarter of 2020 with the corresponding calendar quarter in 2019

Gross Receipts Test

- + An employer is eligible beginning in any 2020 quarter when gross receipts in that quarter are less than 50 percent of the gross receipts in the same 2019 calendar quarter
- + Employer eligibility continues until the employer has a calendar quarter with gross receipts greater than 80 percent of the level in the same quarter of 2019
- + That greater-than-80-percent quarter would be the last eligible quarter
- + So if an employer first becomes eligible in a quarter, that eligibility will span at least two quarters (unless the first eligibility quarter is the fourth quarter)

Example: Gross Receipts Test

- + Employer is under orders to partially shut down business in March, April, and May (spanning two calendar quarters)
- + Employer is thus eligible in the first and second quarters of 2020
- + If the employer's gross receipts drop by 50% in the second quarter and don't attain 80% of their 2019 levels until the third quarter, the employer would also be eligible in the third quarter

Qualified Wages

- + For each employee of an eligible employer, “qualified wages” are wages plus allocable qualified health plan expenses
- + Wages for purposes of the ERT are the same as the tax base for Social Security payroll taxes
- + Allocable qualified health plan expenses are amounts paid or incurred to provide and maintain a group health plan allocable to wages

Qualified Wages

- ⊕ For the first quarter of 2020, only qualified wages incurred after March 12 are included
- ⊕ Excluded from wages is any paid or sick leave mandated and creditable under the Phase II
- ⊕ All wages of an employee are excluded if an employer is allowed a work opportunity tax credit for wages paid to that employee

Payroll Tax Deferral

- + Allows eligible employers and self-employed individuals to delay the deposit of the employer portion of the OASDI taxes until December 31, 2021 and December 31, 2022
- + The deferral period is the period beginning on March 27, 2020 and ending before January 1, 2021
- + Eligibility for deferral is lost to the extent that PPP loan forgiveness has been granted
- + FAQs at <https://www.irs.gov/newsroom/deferral-of-employment-tax-deposits-and-payments-through-december-31-2020>

CARES Act Tax Provisions

Tax Impact to Businesses

+ Qualified Improvement Property

- + Allows for depreciation as a 15-year property and bonus depreciation for property acquired and placed in service after Sept. 27, 2017

+ Charitable Contributions

- + Limitations for qualified charitable contributions deduction for businesses have been increased from 10% to 25% of taxable income

+ Net Operating Losses

- + For business losses arising in 2018, 2019 and 2020, a 5-year carryback is allowed. Businesses will be able to amend or modify tax returns for tax years dating back to 2013 in order to take advantage of the carryback
- + Also temporarily eliminates the 80% income limitation for NOL deductions for the years beginning before 2021

Tax Impact to Businesses

+ Business Interest Expense Limitation

- + Adjusted taxable income limitations have been amended from 30% of adjusted taxable income based on earnings before income tax, depreciation and amortization (EBITDA) to 50% for 2019 and 2020.

Tax Impact to Businesses

+ Minimum Tax Credits

- + Accelerates the year for which a fully refundable credit can be claimed in 2019, and corporations can elect to claim the fully refundable minimum tax credits in 2018.
- + Taxpayers wishing to accelerate an AMT credit refund for 2018 may use a quick refund procedure (Form 1131) to claim these credits.

+ Excise Tax

- + A temporary exception from excise tax is allowed for alcohol used to produce hand sanitizer through Dec. 31, 2020.
- + Certain aviation excise taxes are also suspended through Dec. 31, 2020 i.e. ticket tax, cargo tax and aviation fuel tax.

Tax Impact to Individuals

- + Retirement Plans: Bill waives 10% penalty on early withdrawals up to \$100,000 from qualified retirement plans for COVID-19- related distributions if the withdrawal meets the following guidelines:
 - + Occurs during the 2020 calendar year to an individual (or the spouse of an individual) diagnosed with COVID-19 with a CDC-approved test or an individual who experiences adverse financial consequences as a result of quarantine, business closure, layoff or reduced hours due to the virus.
 - + Income attributable to an early withdrawal is subject to tax over a 3- year period. Withdrawn amounts can be recontributed to qualified retirement plans without being subject to an annual contribution cap if made within 3 years (instead of the normal 60 days).
 - + The bill also waives all required minimum distributions (RMDs) for 2020 for all taxpayers, even those not impacted by the COVID-19 pandemic.

Tax Impact to Individuals

+ Charitable Contributions

- + Individuals will be allowed to claim an above-the-line deduction up to \$300 for charitable contributions made in the 2020 tax year. The deduction does not include prior year carryforwards or donations made to private foundations or donor advised funds. Furthermore, individuals may be able to claim unlimited itemized deductions for cash charitable contributions made in the 2020 tax year, which is normally limited to 60% of adjusted gross income.

+ Excess Business Losses

- + Postpones the effective date of section 461(l) excess business losses retroactively from tax years beginning after Dec. 31, 2017 to tax years beginning after Dec. 31, 2020.

+ Employer-Paid Student Loans

- + Employer-paid student loans can apply for an exclusion of up to \$5,250 from the student's taxable income for the 2020 tax year if payments were made by the employer after March 27, 2020 and before Jan. 1, 2021.

Phase IV Legislation

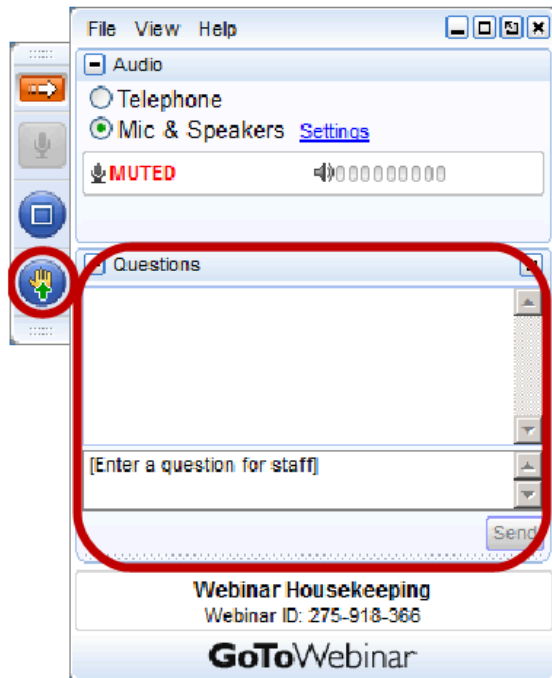
Potential PPP Forgiveness Modifications in HEROES Act

- + Extends the 8-week covered period to 24 weeks
- + Extends the covered period from June 30 to December 31
- + Offers safe-harbor to borrowers who cannot rehire
- + Clarifies that expenses paid with PPP funds would also be tax deductible
- + Removes the requirement that not more than 25% of loan forgiveness amount can be for nonpayroll costs
- + Carves out funds for small businesses with 10 or fewer employees
- + Mandates that returned amounts be redistributed to businesses with 10 or fewer employees
- + Extends maturity of PPP loans to 5 years

Select tax Provisions in the HEROES Act

- + Would provide another round of direct payments of as much as \$1,200 for each individual and as many as three dependents
- + Modify the earned income tax credit by eliminating a rule that bars individuals who have children from claiming the childless EITC if their child doesn't have a SSN
- + The measure would expand the ERC to 80% of as much as \$15,000 in compensation per calendar quarter, limited to \$45,000 for the year
- + The measure would restore and make permanent a limit on a deduction for passthrough business losses that was established by the 2017 tax overhaul and suspended for 2018 through 2020 by the CARES Act

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