



FFCRA and CARES Act

Live Update Q&A

April 10, 2020

SPEAKER PANEL

Summary of the Families First Act payroll provisions

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Summary of the SBA Loan and application process

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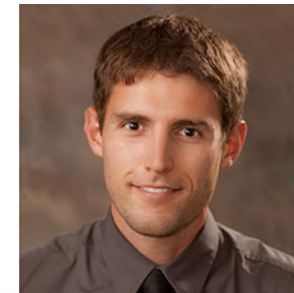


Summary of tax provisions affecting businesses

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Website for current articles, news and copies of today's slides:

www.jccscpa.com/covid-19/



FFCRA and CARES Act Live Update Q&A

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**FAMILIES FIRST
CORONAVIRUS
RESPONSE ACT
(FFCRA)**



General Information - Update

The DOL has continued to update their Q&A regularly and has shared additional guidance on a variety of issues.

1. Self-quarantining – employees are eligible for EPSL if they are pursuing medical care or diagnosis. If they are self-quarantining without a diagnosis, they do not qualify in most cases
2. State issued stay-at-home directives – employees are eligible for EPSL depending upon the situation (to be discussed in the following slides).
3. Intermittent benefit use – employees eligible for EPSL and/or EFMLA can receive the benefits intermittently (to be discussed in the following slides).
4. Additional guidance on business that may be exempt from providing benefits to employees.



Scenario A

Employee lives in a state with an active stay-in-place directive. Do they qualify for Emergency Paid Sick Leave (EPSL) for qualified reason #1 (the employee is subject to a Federal, State, or local quarantine or isolation order related to COVID-19).

1. Work is available.

- a) In the case that the employee has work available to be performed but cannot perform the work at the worksite due to stay-at-home directive and cannot telework, the employee is eligible.



Scenario A (continued)

2. No work is available.

- a) In the case that the worksite is closed and no work is available to the employee to perform, the employee would not be eligible even though the state has an active stay-at-home directive.

To determine eligibility, the defining characteristic seems to be based around whether or not work is available to be performed. If the stay-at-home order is preventing an employee from performing work, then the employee may qualify for EPSL.



Scenario B

A two-parent household has children at home due to school and childcare closures. Are both parents eligible for EPSL/EFMLA, and if so, how are the benefits paid out?

Yes! Both parents are eligible for FFCRA benefits, but the benefits should not be paid to the parents for the same time frame.

1. Week 1 – Parent 1 performs child care and receives 40 hours of benefits
2. Week 2 – Parent 2 performs child care...
3. Week 3 – Parent 2 performs child care...
4. Week 4 – Parent 1 performs child care...

At this point, both parents would have received 80 hours of EPSL benefits. They would now be eligible for EFMLA and could be paid that intermittently as well.



Unemployment Insurance

Montana Unemployment:

- We are seeing information requests from the MT UI department in regards to employees filing.
- Employees should indicate they are either job attached or laid off due to COVID-19.

Federal Pandemic Unemployment Compensation:

- Additional \$600 per week for individuals with claims related to COVID-19.
- Minimal guidance has been issued for the FPUC, but some sources are stating that the \$600 per week amounts will not be pro-rated based on rate of pay.
- There is the concern that employees may choose to stay on UI until the benefit is paid out rather than coming back to work.



**CORONAVIRUS AID,
RELIEF, AND ECONOMIC
SECURITY (CARES) ACT**



Paycheck Protection Program – Self-employed/Independent Contractors

- No new guidance has been issued specific to self-employed and independent contractors
- Application period begins April 10, 2020
- Loan amount based on original definition of “payroll costs”



Paycheck Protection Program – Self-employed/Independent Contractors

“(bb) 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 1 year, as prorated for the covered period”

Plus the regular payroll costs to employees



Paycheck Protection Loans

Self-employed/Independent Contractors

Type of Entity	IRS Tax Return	Employee Comp	Payroll Form	Owner Comp	Payroll Form
Self-employed	Schedule C or F	W-2's	941, UI5	Draw	Schedule C of F Net Income
Independent Contractor	Form 1040, Schedule 1 /Schedule C	N/A	N/A	Draw	1099-misc /Schedule C Net Income
Single Member LLC	Schedule C or F	W-2's	941, UI5	Draw	Schedule C of F Net Income



Paycheck Protection Loans

Self-Employed Example

Example #1

- 2019 Schedule C reports net earnings as 72,000
- Business has no employees
- Loan amount would be \$15,000
(72,000/12 months x 2.5)
- \$15,000 would be eligible to pay owner draws, mortgage interest from Sch C, utilities and rents

Example #2

- 2019 Schedule C reports net earnings as 120,000
- Business has two employees with average monthly payroll costs of \$9,000 in total
- Loan amount would be \$43,333
(100,000/12 months x 2.5 ----- plus ----- \$9,000 x 2.5)
- Loan would be eligible to pay owner draws, mortgage interest from Sch C, utilities and rents
- Would need to meet the employee retention rules



Paycheck Protection Loans

Independent Contractor

Example #1

- Reports 60,000 on Schedule 1, line 8, from 1099-misc income
- Loan amount would be \$12,500
(60,000/12 months x 2.5)
- \$12,500 would be eligible to pay owner draws

Example #2

- 2019 Schedule C reports net earnings as 42,720
- Business has no employees but does have other business expenses
- Loan amount would be \$8,900
(42,720/12 months x 2.5)
- Loan would be eligible to pay owner draws, mortgage interest from Sch C, utilities and rents



Paycheck Protection Loans

Partnerships and LLC's

Type of Entity	IRS Tax Return	Employee Comp	Payroll Form	Owner Comp	Payroll Form
Partnership	Form 1065	W-2's	941, UI5	Guaranteed Payments/ Draw	Sch K-1
LLC Taxed as a Partnership	Form 1065	W-2's	941, UI5	Guaranteed Payments/ Draw	Sch K-1



Paycheck Protection Loans

Other Clarifications

What will I need to provide to calculate my PPP Loan?

- Federal forms W-2 and W-3
- Quarterly reports for 2019 or the rolling 12 months that includes Q1 of 2020 (forms 941 and UI5)
- Payroll history covering same 12 months as payroll reports
- Payroll history for the payroll date covering 2/15/2020
- Copy of the detailed calculation of the loan amount
- Copy of 2018 or 2019 tax return, 1099-misc, schedule K-1 or other forms as requested by the bank to verify payroll costs



EIDL Loans and The Emergency Grant

Application is made directly through the SBA website

<https://covid19relief.sba.gov/#/>

Covered period runs from January 1, 2020 to December 31, 2020

Eligible borrowers are broader than the PPP Loan

Emergency Grant available up to \$10,000

Eligible costs:

- Providing paid sick leave to employees unable to work due to direct effect of the COVID-19
- Maintain payroll to retain employees due to business disruption
- Meeting increased costs to obtain materials due to interrupted supply chains
- Rent or mortgage payments
- Obligations that cannot be met due to revenue loss



Disbursement Process

- Application is a “self-certification under penalty of perjury” that the borrower is an eligible entity
- Original application includes very basic entity information
- Applicant can check the box to indicate they want to receive the \$10,000
- The emergency grant is disbursed within 3 days and must be used for specific costs, as defined
- The remainder of the application and underwriting process continues after the grant is disbursed
- Grant would not be require to be repaid, even if the applicant is subsequently denied the loan



QUESTIONS?



**TAX IMPLICATIONS
AFFECTING
BUSINESSES AND
INDIVIDUALS**



Business Provisions

Employee Retention Credit

- Fully refundable tax credit on 50% of qualified wages
- Wages paid from March 13, 2020 through December 31, 2020
- Limited to first \$10,000 of wages per employee (\$5,000 max credit per employee)
- Eligible Employers:
 - Operations must have been fully or partially suspended due to orders from a governmental authority that limits commerce, travel, or group meetings due to COVID-19, OR
 - Experienced a “significant” decline in gross receipts during the calendar quarter
- Credit is reconciled on Form 941
 - Reduce amount due with Form 941
 - Any excess is refunded to employer



Employee Retention Credit (Cont'd)

- Accelerated payers are allowed to reduce payment by entitled credit
- Request for advance of credit is available – IRS Form 7200
- NOT available to self-employed individuals
- NOT available to employers who receive PPP Loans
- CAN claim in conjunction with qualified leave wages under the FFCRA, but NOT for the same wages
- Special rules for employers with more than 100 full-time employees



Business Provisions

Employee Retention Credit (Cont'd)

EXAMPLE: “Significant” decline in gross receipts

	2019	2020	% of '19
Sales – Q1	210,000	100,000	48%
Sales – Q2	230,000	190,000	83%
Sales – Q3	250,000	230,000	92%
Sales – Q4	270,000	265,000	98%

Eligible for credit in
Q1 and Q2 only

	2019	2020	% of '19
Sales – Q1	210,000	100,000	48%
Sales – Q2	230,000	175,000	76%
Sales – Q3	250,000	230,000	92%
Sales – Q4	270,000	265,000	98%

Eligible for credit in
Q1, Q2, and Q3



Business Provisions

Employee Retention Credit (Cont'd)

EXAMPLE: Credit vs PPP

	Wages	Limit	Tax Credit
Employee 1	75,000	10,000	5,000
Employee 2	50,000	10,000	5,000
Employee 3	20,000	10,000	5,000
Employee 4	20,000	10,000	5,000
TOTALS	165,000	40,000	20,000

	Wages	Avg. Monthly Payroll	PPP Loan (Avg x 2.5)
TOTALS	165,000	13,750	34,375

← Better



Business Provisions

Employee Retention Credit (Cont'd)

EXAMPLE: Credit vs PPP

	Wages	Limit	Tax Credit
Employee 1	50,000	10,000	5,000
Employee 2	15,000	10,000	5,000
Employee 3	12,000	10,000	5,000
Employee 4	7,000	7,000	3,500
TOTALS	84,000	37,000	18,500

← Better

	Wages	Avg. Monthly Payroll	PPP Loan (Avg x 2.5)
TOTALS	84,000	7,000	17,500



Delay of Payment of Payroll Tax

- Employer portion of the social security tax (6.2%)
- Wages paid from March 27, 2020 through December 31, 2020
- Deferred amount must get paid in two installments:
 - 50% must be paid by December 31, 2021
 - Remainder must be paid by December 31, 2022
- ALL employers qualify – regardless of size
- Self-employed individuals DO qualify
- NOT available to employers on wages covered by PPP Loans



Business Provisions

Miscellaneous

- Increase to section 163(j) interest limitation from 30% to 50%
- Qualified improvement property (QIP) technical correction officially made – 100% bonus eligible
- Limit on excess business loss deductions suspended
- IRS Rev. Proc. 2020-23



Rebates and Other Individual Provisions

2020 Recovery Rebates

- “Stimulus Checks”
- Immediate cash payments of \$1,200 to each individual, with additional \$500 for each qualifying child
- Adjusted Gross Income (AGI) thresholds:
 - \$150,000 – married filing joint
 - \$112,500 – head of households
 - \$75,000 – individuals
 - Phased out at rate of \$5 per \$100 above thresholds (\$99,000 and \$198,000)
- Qualifying child = under the age of 17 (in 2019)
- Based on 2019 tax return (or 2018 if taxpayers have not filed 2019 yet)
- IRS letters will be mailed out and will include details of payment amount, etc.



QUESTIONS?



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