

Dear Clients and Friends,

Last Thursday we partnered with Agudath Israel of America to present an important webinar titled *Navigating Regulatory Changes*, covering the latest “CARES” stimulus act as well as other relief initiatives and how they affect your business or organization. To the 1000+ people who joined us – thank you! For those who missed it, a full recording of the webinar is available [here](#).

Below, we have prepared a summary of the presentation as well as responses to some of the many questions we received. This is a very brief outline of several complex bills. We recommend speaking with your accountant or attorney to determine the best course of action for your specific circumstances.

CARES ACT

Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) was signed by President Trump this Friday. The \$2 trillion stimulus bill intends to provide significant relief for small businesses and expanded unemployment benefits for individuals. Here are the highlights:

For Individuals and Families

The CARES Act will provide direct payments to individuals depending on income.

How much can we expect?

- \$1,200 per single individual who earns up to \$75,000 in adjusted gross income
- \$2,400 for married couples who earn up to \$150,000
- An additional payment of \$500 per child under the age of 17.

The payment would scale down by income (a \$5 deduction for every additional \$100 earned above the maximum), phasing out entirely at \$99,000 for singles and \$198,000 for couples without children. Qualifying income levels will be based on 2019 federal tax returns if already filed, or on 2018 returns if not. Payments should be received within three weeks.

If you haven't filed a 2018 or 2019 tax return, you should speak to a tax professional and consider filing; so that you can be eligible to receive the stimulus payment.

What other relief is available to me?

Make the most of your 401k:

- You are no longer required to take the annual minimum distribution from retirement accounts. This is to give investments a chance to recover and avoid taking a loss.
- You can now withdraw up to \$100,000 this year without the usual 10 percent penalty, so long as you are doing so in response to the COVID-19 outbreak.
- For 180 days after the bill passes, with certification that you've been affected by the pandemic, you will be able to take out a loan of up to \$100,000.

Take advantage of relaxed charitable giving rules:

Normally, you may donate up to 60% of your income for a full tax deduction. You can now donate up to 100% of your income without any tax deduction limitations.

Expanded Unemployment Benefits

Who is covered?

The CARES Act has substantially expanded benefits to include part-time workers, gig workers and the self-employed, who in the past have not been eligible. Covered individuals include those who are unemployed, partially unemployed or unable to work as a direct result of COVID-19. This includes illness, quarantine, loss of childcare, or loss of unemployment as a result of the virus.

What are the benefits?

Exact employment benefits are determined by the state's unemployment insurance program. The CARES act entitles covered individuals to an additional \$600 per week in addition to state benefits. The extra \$600 payment will last for up to four months, covering weeks of unemployment through December 31, 2020.

How soon can I get it?

States have been incentivized to waive the one-week waiting period, but processing claims may take some time given the current climate.

How long will it last?

The CARES Act would provide all eligible individuals with an additional 13 weeks of payment following the end of state benefit programs; for the maximum of 39 weeks of benefits.

Some important notes:

- Parsonage is not currently covered by unemployment.
- Organizations who opted to self-insure will be required to reimburse 50% of each unemployment claim.

For Employers

Tax Credit to Support Workforce Retention

This provision will reimburse up to 50% of qualified wages, including health insurance, as a refundable tax credit against the employer's share of payroll taxes for applicable employment taxes, up to \$10,000 per employee per quarter.

What organizations are eligible?

- Businesses and nonprofits that were partially or fully suspended due to a mandatory government shut-down related to COVID-19.
- If a business remained opened during any quarter in 2020 but gross receipts for that quarter were less than 50% of what they were for the same quarter in 2019, the business will then be entitled to a credit for each quarter. This will continue until the business has

a quarter where gross receipts exceed 80% of what they were for the same quarter of the previous year.

- Employers with over 100 employees are eligible to receive the credit if they continue to pay employees that are not providing services.
- Employers with fewer than 100 employees will receive the credit if they continue to pay employees whether they are or are not providing services

What wages are ineligible?

- Qualified wages do not include those paid under the Families First Coronavirus Response Act for sick leave or family medical leave, which are already subject to certain tax credits.
- If an employer takes out a payroll protection loan under Section 7(a) of the Small Business Act as amended by this Act, no employee retention credit will be available.

Deferral of Payroll Tax:

The CARES Act allows a 50% deferral of the employer's share of the 6.2% Social Security tax that would otherwise be due from the date of the CARES Act's enactment through December 31, 2020.

When will the deferred taxes become due?

A payment of 50% of the deferred payroll taxes will be due on December 31, 2021, and the remaining 50% by December 31, 2022.

Paycheck Protection Loan Program

The United States Small Business Administration will administer the SBA 7a loan program to eligible businesses to help pay operational costs such as payroll, rent, health benefits, insurance premiums and utilities. Subject to certain conditions, loan amounts are forgivable if employers retain employees.

What businesses are eligible?

- Small businesses, nonprofits, religious institutions and houses of worship, with up to 500 employees.
- Independent contractors, 1099 workers, self-employed individuals and sole proprietorships.
- Restaurants and hotels, are eligible as long as they employ 500 workers or less per location.
- Businesses that have more than 500 employees but are within the SBA size limits.

How much can I borrow?

Loan amounts can be up to 2.5 times average monthly payroll (between January 1, 2020 and February 29, 2020), mortgage payments and lease payments. The maximum loan amount is \$10 million.

An advance grant of up to \$10k can be requested 3 days after applying for the loan. Even if the business is denied the loan, the advance will not have to be paid back provided it is used for operational expenses such as payroll and rent payments.

What are the terms of the loan?

- Maximum interest rates of 4% with 10-year term.
- No personal guaranty or collateral is required.

How does loan forgiveness work?

- There is an additional application for loan forgiveness.
- Upon application, your company's expenses for the eight-week period after the origination of the loan will be analyzed.
- Every dollar spent on payroll, utilities, rent, or interest on mortgage debt will be forgiven, up to the total amount borrowed.

Loan amount forgiven will be reduced if:

- Businesses lay off employees during the first eight weeks following the loan.
- Companies reduce wages of employees who make less than \$100,000 per year by 25% or more.
- Businesses that have already let employees go before accepting the loan will not be subject to such penalties. If those businesses rehire employees after accepting the loan, they'll receive additional credit to cover their wages.

Please note: As of Friday, March 27th, parsonage was not explicitly noted as a part of payroll. There is a possibility that it will be included in the future.

Economic Injury Disaster Loan Program

The SBA will directly provide loans up to \$2 million to small businesses and non-profits that have been severely impacted by COVID-19, with interest rates of 2.75% for nonprofits and 3.75% for businesses.

HR 6201: FAMILIES FIRST CORONAVIRUS RESPONSE ACT

HR 6201 was signed by President Trump on March 18, 2020, ensuring that employees are eligible for two weeks of Paid Sick Leave and use of 12 weeks of Family and Medical Leave Act leave for several circumstances related to COVID-19. It will be in effect from April 1, 2020 until December 31, 2020.

How does it work?

Under HR 6201, employers can claim a Social Security tax credit to offset the cost of providing expanded FMLA and emergency paid leave to their employees. If the credit exceeds the employer's accumulated Social Security tax for the calendar quarter, the excess will be issued in the form of a refund from the IRS.

Who is eligible?

- Employers with under 500 employees
- Employees who cannot work due to COVID-19 related illness, and/or quarantine, or due to an ill family member or a child without childcare.

What do these provisions provide?

- 10 days covered by Emergency Paid Sick leave for illness or quarantine, with a total of \$5,110, or 2/3 of pay to care for ill family or because of loss of childcare, capped at \$200/day and \$10,000 total.
- 10 weeks covered by Family Medical Leave pays 2/3 of the employee's regular rate of pay for the number of hours they would normally be scheduled to work, capped at \$200/day and \$10,000 total.

Please note: As of now there is no mechanism for business owners to collect PSL or FML. For full details on EPSL and FMLA expansion please visit our website: <https://rothcocpa.com/trend/current-tax-paid-leave-regulation-changes/>

We will continue to keep you informed as more information becomes available. As always, we are here to help implement these changes. Please don't hesitate to contact us with questions or concerns.

With our best regards,
The Roth&Co Team

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