



# Agudath Israel of America

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New Jersey Office

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## **CORONAVIRUS AND YOUR FINANCES:**

### ***Guidance for Individuals, Small Businesses, and Non-Profits***

The federal government and many state governments have implemented major changes in order to help individuals, small businesses, and non-profits get through the Covid-19 pandemic. Agudath Israel has worked with its team of professionals and volunteers from around the country to provide detailed guidance on these changes and will continue to provide additional

information as this evolves.

Please keep in mind that decisions should not be made without consulting your tax professionals, legal counsel and financial professionals. We have made the best possible effort to make sure this information is accurate and up-to-date, but the regulatory landscape is changing hour to hour.

## **INDIVIDUALS:**

### **Stimulus Payments:**

The CARES Act will provide one-time non-taxable cash payments to most Americans. Most adults will receive \$1,200 for themselves and an additional \$500 for every qualifying child. The payment decreases for individuals with an adjusted gross income above \$75,000, and fully phases out for individuals with no children if their adjusted gross income is \$99,000 or above.

Couples filing jointly are eligible for the full stimulus payment if they make less than \$150,000 annually; it fully phases out for families with no children at \$198,000.

Payments will be based on your 2019 tax return, or if you have not yet filed this year, your 2018 tax return. You do not need to apply for the payment. If the IRS already has your bank account information it will be direct-deposited to your account. If the IRS does not have your direct deposit information, a check will be mailed to your address.

## **Unemployment:**

The CARES Act creates a temporary Pandemic Unemployment Assistance program through December 31, 2020 to provide payment to those not traditionally eligible for unemployment benefits (people who are self-employed, independent contractors, those with limited work history, and others) who are unable to work as a direct result of the coronavirus public health emergency. Specifically, the CARES Act provides that a “covered individual” includes anyone who self-certifies that they are able and available to work but is unemployed or partially unemployed due to any of the following:

- Has been diagnosed with COVID-19 or is experiencing symptoms and seeking a medical diagnosis;
- A member of the individual’s household has been diagnosed with COVID-19;
- The individual is providing care for a family member or household member who has been diagnosed with COVID-19;
- The individual is the primary

caregiver for a child or other person in the household who is unable to attend school or another facility as a direct result of COVID-19;

- The individual is unable to work because a health care provider has advised the individual to self-quarantine due to COVID-19 concerns;
- The individual was scheduled to commence employment and does not have a job or is unable to reach the job as a direct result of COVID-19;
- The individual has to quit their job as a direct result of COVID-19; or
- The individual's place of employment is closed as a direct result of COVID-19.

The law also applies to those who are self-employed (and independent contractors). Parttime workers are also eligible for benefits. They are also eligible for the additional \$600 weekly benefit.

Other key features of the new unemployment benefits include:

- The amount of benefits includes

the amount that would be calculated under state law plus \$600 per week for up to four months.

- Waiver of the usual one-week waiting period.

### **Retirement Accounts:**

Individuals may also be able to tap into retirement accounts. The provision waives the 10% early withdrawal penalty for distributions up to \$100,000 from qualified retirement accounts for coronavirus-related purposes made on or after January 1, 2020.

In addition, income attributable to such distributions would be subject to tax over three years, and the taxpayer may recontribute the funds to an eligible retirement plan within three years without regard to that year's cap on contributions. Further, the provision provides flexibility for loans from certain retirement plans for coronavirus-related relief.

### **Student Loans:**

Until September 30th, all payments to government held student loans will be automatically suspended.

## **The Emergency Family and Medical Leave Expansion Act:**

For a helpful Q & A, see here: <https://www.dol.gov/agencies/whd/pandemic/ffcraquestions>

Here is a summary:

The Act provides financial assistance to employees who are unable to work due to the closure of a child's day care or school due to a Public Health emergency (the child must be 17 years of age or below). The employee will receive 2/3 of their salary capped at \$200 a day. The first ten days of leave is unpaid, but one may use paid sick leave or other paid time off (PTO). The employee cannot be forced to use PTO. The program lasts up to 12 weeks.

If an organization has completely closed and there is no work for employees, they cannot go on family leave.

If parts of the organization remained open, those employees who would otherwise still be working and who have work to do, but cannot due to the

need to care for a child, are eligible for family leave.

Employers will be completely reimbursed as a tax credit.

This act does not apply to employers who have more than 500 employees.

## **Emergency Paid Sick Leave Act:**

The same Q & A linked before also provides guidance on this: <https://www.dol.gov/agencies/whd/pandemic/ffcra-questions>

This Act provides financial assistance to an employee (as defined by the Fair Labor Standards Act) who is unable to work due to either:

- being subject to a quarantine or self-isolation order due to COVID-19 (the order can come from government or medical advice to do so); or,
- caring for a family member who is in quarantine or self-isolation; or
- closure of a school or childcare due to COVID-19 concerns.

If the employee went on sick leave because he or she was quarantined/self-isolated they are capped at \$511/day, and \$5,110 total.

## **SMALL BUSINESSES AND NON-PROFIT BUSINESSES:**

There are several programs in the CARES Act to help small businesses.

### **The Payroll Protection Program (PPP):**

This program allocates \$350 billion to help small businesses retain their workers. It provides Small Business Administration (SBA) loans that may be forgiven if borrowers maintain their payrolls through the crisis or restore them afterward. These loans are potentially 100% forgivable if used to keep workers on payroll during the “covered period” of Feb. 15 – June 30, 2020. You must apply for forgiveness of your loan, and certain documentation will be required.

Your business may be eligible for a PPP loan if you have less than 500 employees. Sole proprietors,

independent contractors, and self-employed individuals who regularly carry on a trade or business can also apply.

The maximum “loan” you can apply for is 2.5 times the average monthly payroll costs in the 12 months prior to the loan origination date, up to \$10 million. There are exclusions, including employee compensation that exceeds \$100,000 annually.

The loan may be used for operational expenses such as payroll, health benefits, paid leave, mortgage or lease payments, utilities, and interest on debt incurred prior to February 15, 2020.

Borrowers can qualify for loan forgiveness equal to the following costs incurred during the covered 8-week period:

- Payroll costs,
- interest payments on covered loan obligations, and
- covered rent and utility payments.

Payroll includes parsonage, health care benefits, paid time off (PTO), and retirement benefits.

For educational institutions, payroll does not include qualified tuition reimbursement (QTR) or the amount of employee salaries that is above \$100,000.

Forgiveness amounts will be decreased for any reductions in the number of employees or reductions in wages of 25% or more when comparing the covered period of employment to that same period in 2019. The interest rate on the loan is 4%.

Loans will be made by SBA-approved lenders, which include most major national banks. The SBA is setting the guidelines, and the banks will be processing loan applications. Please contact your bank as soon as possible! Here is a link for the application that was recently posted <https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Application-3-30-2020-v3.pdf>

### **Economic Injury Disaster Loans (EIDLs):**

EIDLs are low-interest SBA loans of up to \$2 million that are being made available to small businesses that

are suffering substantial economic injury due to COVID-19. The SBA is processing loan applications for small businesses and nonprofits. The application can be found here: <https://disasterloan.sba.gov/ela/>

Additional assistance can be found [here](#).

Taking out an EIDL can impact your eligibility for a PPP loan, thus it may be advisable to pursue a PPP loan first. Applying for an EIDL, however, has other advantages, such as the Emergency Economic Injury Grant (see next section). Please seek professional advice as to what is best for your business or organization.

### **Emergency Economic Injury Grants:**

These grants provide an emergency advance of up to \$10,000 to small businesses and private non-profits harmed by COVID-19 within three days of applying for an SBA Economic Injury Disaster Loan (EIDL). To access the advance, you first apply for an EIDL and then request the advance. The advance does not need to be repaid under any circumstance,

and may be used to keep employees on payroll, to pay for sick leave, meet increased production costs due to supply chain disruptions, or pay business obligations, including debts, rent and mortgage payments.

### **Employee retention credit for employers subject to closure due to COVID-19:**

There is a refundable payroll tax credit for 50% of wages paid by employers to employees when the workplace is fully or partially closed due to COVID-19 or gross receipts declined by more than 50% when compared to the same quarter as last year. For employers of over 100 employees, the credit can only apply to retained employees who are not providing services due to COVID-19; employers of under 100 employees can apply the credit to all employees. The credit is capped at \$10,000 per employee and applies to compensation and health benefits through the end of 2020.

### **Delay of payment of employer payroll taxes:**

This allows employers to defer payment of the employer contribution

to the Social Security tax over the next two years (first half due December 31, 2021; second half is due December 31, 2022). This cannot be combined with forgiveness of the PPP loan.

### **New Jersey state programs:**

**Small Business Emergency Assistance Loan Program** – A \$10 million program that will provide working capital loans of up to \$100,000 to businesses with less than \$5 million in revenues.

Loans made through the program will have ten-year terms with zero percent for the first five years, then resetting to the EDA's prevailing floor rate (capped at 3.00%) for the remaining five years.

**Small Business Emergency Assistance Grant Program** – A \$5 million program that will provide grants up to \$5,000 to small businesses in retail, arts, entertainment, recreation, accommodation, food service, and other services – such as repair, maintenance, personal, and laundry services – to stabilize their operations and reduce the need for layoffs or furloughs.