

**Employee Retention Incentives Under CARES Act (H.R. 748)**

Passed March 27, 2020 Most provisions in place until 12/31/2020

	<b>Paycheck Protection Program (PPP)</b> Available 2/15 - 6/30	<b>Employee Retention Credit</b> For wages paid 3/1/2020 - 1/1/2021	<b>Deferral of Employer Payroll Taxes</b> For payroll taxes 3/27 - 12/31
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<b>Summary</b>	Provides a loan for 2.5 times average monthly payroll costs which is potentially 100% forgivable after eight weeks of the loan distribution, if employees are retained and other conditions met.	Provides a tax credit for eligible employers for 50% of qualified wages up to \$10,000 per employee for affected quarters.	Provides deferral of employer's share of SS (OASDI portion- 6.2%). 50% due by 12/31/2021. Remaining 50% due by 12/31/2022.
<b>Who Qualifies</b>	Impacted* businesses and non-profits less than 500 employees who were in business as of 2/15/2020.  <i>*Impacted certified by borrower</i>	Impacted businesses and non-profits closed (partially or fully) due to COVID-19 OR businesses that suffered a decline in gross receipts (covers the quarters when receipts dropped 50% from previous year through recovery of at least 80% of previous year)	Any employer
<b>How Distributed</b>	Through your bank, if an approved SBA lender. Currently, banks are taking several days, if not weeks to process the loans. Funding timeline not known.	Taken as a credit against the employer's share of Social Security OASDI portion- 6.2%) on quarterly 941 report. Excess credit can be refunded.	No distribution necessary. Taxes held from payroll deposits and quarterly 941 filings.
<b>How Much Assistance</b>	2.5 times average monthly payroll costs (based on last 12 months or calendar year 2019). <ul style="list-style-type: none"> <li>If not in business all year, use 1/1 - 2/29.</li> <li>Payroll costs include gross wages,</li> </ul>	If business is eligible, it has the potential for: <ul style="list-style-type: none"> <li>up to 3.3 quarters of tax credits</li> <li>50% of wages (limited to \$10,000) per employee</li> </ul>	6.2% of your payroll from 3/27 - 12/31, excluding employee's payroll over \$137,700.



Updated 4/10/2020

Summarized from text of Bill <https://www.congress.gov/bill/116th-congress/house-bill/748>

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	<p>health premiums, retirement benefits.</p> <ul style="list-style-type: none"><li>● Excludes compensation above \$100,000 per employee.</li><li>● Max loan \$10,000,000</li></ul>	<p><i>Employees making over \$80K a year, will hit the cap of \$10K in 1 quarter; Employees under \$25K, it will take 3.3 quarters to hit \$10K cap.</i></p>	
<p>The Fine Print</p>	<p>This is a traditional SBA 7(a) loan, with some differences:</p> <ul style="list-style-type: none"><li>● Do not have to prove unable to find credit elsewhere</li><li>● No personal guarantee or collateral required</li><li>● Interest rate 1%</li><li>● Payments deferred for 6 months</li><li>● 100% guaranteed by the SBA (v. 75% or 85%)</li><li>● No fees to lender or borrower</li><li>● No prepayment penalty</li></ul> <p>Forgiveness Provision:</p> <ul style="list-style-type: none"><li>● Borrower can apply for forgiveness of 100% of the loan balance.</li><li>● Money must have been spent on payroll, existing mortgage interest, rent or utilities during the eight weeks after the loan is disbursed.</li></ul>	<p>Can't take this benefit and a PPP loan.</p>	<p>Can't take this benefit and a PPP loan.</p> <p><i>In theory, I think you could use the Employee Retention Credit and the Payroll Tax Deferral, but in practice, not sure how it would work. We won't know until the IRS writes their regulations to determine how they will handle each program.</i></p>



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	<p>No more than 25% of the proceeds may be on rent or utilities.</p> <ul style="list-style-type: none"><li>• Forgiveness amounts reduced if number of Full-Time Employees is reduced or wages reduced more than 25%. (Forgiveness computation not yet completely defined.)</li><li>• Employees laid off between 2/15 and 4/27 may be rehired and employer is not penalized on loan forgiveness. (That's head-count, not the specific employees.)</li></ul>		
Self-Employed	Available for self-employed workers. Documentation requirements are a bit different.	Doesn't apply	Applies to Self-Employment Taxes
My Assessment	<p>This plan is the best for most businesses.</p> <p>However, it not the best benefit for:</p> <ul style="list-style-type: none"><li>• Employers who had little or no payroll or contractors prior to 2/15/2020</li><li>• Employers with high-income</li></ul>	<p>If you can't qualify for a PPP, this plan provides the most benefit for companies with a large number of low-paid workers.</p> <p>Since it caps at \$10,000 a worker, any employee making \$25,000 / yr and up will give you the maximum benefit if</p>	<p>Provides the least amount of benefit, but if you can't qualify for either of the other two, it is better than nothing.</p> <p>This does provide an interest free loan that matures in 2 years and 9 months.</p>



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	employees (over \$100,000)  If your cash flow still has you concerned about making it until the economy recovers, this program does allow you to reduce wages by as much as 25%, which you could combine with your state's Shared Work Program.	your business qualifies for the entire time period (just over 3 quarters).	
Disadvantages	Employer must follow the spending and documentation rules to qualify for loan forgiveness.  If you don't qualify for loan forgiveness, it will become a traditional 7(a) loan with an amortization term of less than 10 years. (Personal guarantee then applies.)	Not a short-term solution for cash flow. Employer is out of pocket for the wages for the quarter until the credit is used up or refunded by the IRS.  Employer has the burden of proving the closure or the significant drop in receipts.	Least benefit of the three programs. This is a <b>deferral</b> , not a credit or a forgiven loan.
How to make a rough calculation	Your monthly gross payroll times 2.5	Head count times \$10,000	8 months of payroll times 6.2% is deferred.