

April 28, 2020

Dear payroll clients:

As you may know, there has been a lot of new legislation pertaining to payroll taxes. This letter serves to keep you up to date with the benefits that may be available to you as an employer. Under the Coronavirus, Aid, Relief and Economic Security Act (CARES Act), the IRS has provided:

Employer Payroll Tax Deferral –

- This benefit allows employers to defer the employer (7.65%) share of Social Security taxes beginning March 27, 2020 through December 31, 2020.
- 50% must be repaid by December 31, 2021 and the remaining amount repaid by December 31, 2022
- Employers that have applied for and received a PPP loan will only be able to defer the deposit until the date the lender issues a decision letter to forgive the loan. Once the loan is forgiven, the employers must begin to timely remit the amount due, and make arrangements to repay the deferred amounts by the dates noted above
- Self-employed persons are also eligible to defer payment of 50% of Social Security tax on net earnings from self-employment income and follow the same repayment schedule mentioned above

Employer Retention Credit –

- This benefit provides a tax credit of up to \$5000 per employee for eligible employers equal to 50% of the “qualifying wages” paid to employees during a quarter, capped at \$10,000 of “qualifying wages”
- Effective for wages paid from March 13 through December 31, 2020
- The employer must certify that their operations were fully or partially suspended as a result of orders from a governmental authority limiting business activities due to COVID-19
- There must be a “significant decline in gross receipts”. To qualify, gross receipts for the quarter were less than 50% of the gross receipts for the same calendar quarter in the prior year.
- The employer will remain eligible for the credit until such time that their gross receipts equal 80% of the gross receipts for the same calendar quarter in 2019 or the \$5,000 credit has been taken in its entirety. If we do not do your bookkeeping, YOU are responsible for notifying us when you hit this marker before your 941's for that quarter are filed. If you feel that you qualify and we do your bookkeeping, please get your 2020 bookkeeping information to us ASAP so that we can compute your first quarter 2020 income vs 2019.
- “Qualifying wages” are defined as wages used for FICA taxes, plus the amount paid by the employer for health plan expenses. It cannot exceed the amount the employee

would have been paid for working an equivalent amount of time during the preceding 30 days (in other words, pay increases and bonuses would not count)

- Cannot be used with the Paid Sick Leave Refundable Credit
- The employer can start taking the credit immediately by reducing the amount of federal employment tax deposits for the quarter by half of the amount of wages paid in that quarter until the \$5,000 credit is used up. If the credit amount exceeds the tax amount on the Form 941, the employer is eligible for a refund.
- You cannot take out a PPP loan and take this credit.

Paid Sick Leave Refundable Credit

- Employer is eligible for a fully refundable tax credit equal to the required paid sick leave paid under the Emergency Paid Sick Leave Act (EPSLA) from April 1 to December 31, 2020. This act requires employer to provide employees with up to 80 hours of paid sick leave at the employee's regular rate of pay (or minimum wage, whichever is higher) up to \$511 per day or \$5,110 in aggregate for eligible employees who:
 - are under a Federal, State, or local quarantine or isolation order related to COVID-19
 - have been advised by a health care provider to self-quarantine due to concerns related to COVID-19
 - have experiencing symptoms of COVID-19 and seeking a medical diagnosis
- Employer is eligible for a fully refundable tax credit equal to the required paid sick leave paid under the EPSLA. This act requires employer to provide employees with up to 2/3 of the employee's regular rate of pay (or minimum wage, whichever is higher) up to \$200/day or \$2000 in aggregate of paid sick leave for eligible employees who:
 - are caring for an individual who is subject to a Federal, State, or local quarantine or isolation order related to COVID-19,
 - are caring for an individual who has been advised by a health care provider to self-quarantine due to concerns related to COVID-19
 - are caring for the child of such employee if the school or place of care of the child has been closed, or the child-care provider of such child is unavailable, due to COVID-19 precautions;
 - are experiencing any other substantially similar condition specified by the U.S. Department of Health and Human Services
- The credit also includes the employer share of Medicare tax imposed on those wages along with the cost of maintaining health insurance for the employee during the sick leave period.
- self-employed individuals are entitled to equivalent credits based on similar circumstances in which the individual is unable to work.
- Like the Employer Retention Credit (above), the employer can start taking the credit immediately by reducing the amount of federal employment tax deposits for the quarter by half of the amount of wages paid in that quarter until the credit is used up. If the credit amount exceeds the tax amount on the Form 941, the employer is eligible for a refund.

- You are still eligible for the PPP loan, but the “payroll costs” used to determine the loan cannot include the paid sick leave.

If you feel that you are eligible for either of these employer benefits, please notify our office immediately so we can begin processing payroll accordingly. We understand that these tax changes are complicated. We will continue to keep you informed as we find out more information. Please feel free to contact us with any questions.

Sincerely,

Kerri Reed