



## A MESSAGE FROM THE NATIONAL HBPA WITH UPDATES FROM CONGRESS ON Congress on COVID19 Passed Legislation

**Date:** March 25, 2020

**Re:** Updates from Congress on COVID19 Passed Legislation

Thanks to our team at the Ingram Group who has been closely monitoring the ongoing federal response to the situation revolving around coronavirus, I have prepared this update for affiliates and encourage you to pass along to individual members. Congressional leaders reached a deal to pass a nearly \$2 trillion “stimulus” package. This legislation represents “Phase 3” of the legislative response to the COVID-19 pandemic. Below, is an outline all three pieces of legislation starting with the most recent, being Phase 3 which passed the House a few moments ago. President Trump is expected to sign the legislation into law very soon. Many of these provisions may be of interest to you or your individual affiliate members which are small businesses.

While there is already talk of a “Phase 4” bill but it is likely several weeks away.

**Note:**

**We highly recommend for all tax provisions, you should check with your accounting professional or someone familiar with your current business or tax situation.**

### The “Phase 3”- The Coronavirus Aid, Relief, and Economic Security Act (“CARES”)

Phase 3, the CARES Act, will inject approximately \$2T into the economy, providing tax rebates, expanded unemployment benefits, and a slew of business tax-relief provisions aimed at providing direct relief for individuals, families, and businesses.

#### **Title 1: Small business interruption loans**

Provides 8 weeks of 100 percent federally guaranteed loans to employers who maintain their payroll during this emergency. If employers maintain their payrolls, the portion of the loan used to cover payroll costs, mortgage interest, rent, and utilities **would be forgiven**.

**To qualify** businesses must employ 500 people or fewer or meet the applicable Small Business Administration (SBA) size standard for the industry. Also, most self-employed individuals and nonprofits qualify. The loan is capped at the lower of 250% of the employer’s average monthly payroll or \$10 million. The link is [here](#).

Authorizes \$25 million for SBA to provide grants to associations representing resource partners to establish an online platform that consolidates resources across multiple Federal agencies and a training program to educate small business counselors on those resources to ensure counselors are directing small businesses appropriately.

Expands eligibility for entities suffering economic harm due to COVID-19 to access SBA's Economic Injury Disaster Loans (EIDL), while also giving SBA more flexibility to process and disperse small dollar loans. The bill would allow businesses that apply for an EIDL expedited access to capital through an Emergency Grant—an advance of \$10,000 within three days to maintain payroll, provide paid sick leave, and to service other debt obligations.

## **Title 2: Unemployment Insurance Provisions:**

The U.S. Department of Labor (DOL) released a [Fact Sheet](#) for employers as well as a model notice employers may use to notify employees about these laws. The DOL is expected to issue regulations in April 2020.

### **Individual Provisions:**

*Recovery Checks:* \$1,200 to individual Americans making less than \$75,000 annually, and \$2,400 for eligible married couples making less than \$150,000 combined, with an additional \$500 for every child. The amount would be reduced by \$5 for every \$100 that a person earns over \$75,000, so Americans earning more than \$99,000 will get nothing. Income levels, marital status, and number of children would be based on 2019 tax returns, if filed, or their 2018 return as an alternative.

*Special rules for use of retirement funds:* Allows the withdrawal of \$100,000 from retirement accounts to pay for coronavirus-related purposes without the 10% early withdrawal penalty.

*Tax Filing Deadline Delay/ Extension:* The April 15 deadline for filing federal income tax returns and making payments is extended to **July 15, 2020**.

*Charitable contributions:* Corporations may deduct up to 25% of taxable income for charitable contributions in 2020, and there is no cap on individuals.

*Student Loans:* President Trump has suspended [student loan](#) payments for 60 days with no penalty. Employers can provide student loan repayment benefits to employees on a tax-free basis, up to \$5250.

### **Business Provisions:**

*Employee retention credit for employers:* Employers subject to closure or partially suspended operations can qualify for a refundable payroll tax credit for 50% of wages paid to employees from March 13, 2020 through December 31, 2020. To qualify, a business must have been partially or fully suspended due to a local COVID-19 shut-down order or have had gross receipts decline by more than 50% from the same quarter last year. The credit is capped at \$10,000 per employee, including health benefits. For employers with fewer than 100 employees, all employees count toward the credit, but for employers with more than 100 employees, only those not working because of the COVID-19 crisis count.

*Delay of payment of employer payroll taxes:* Payroll taxes may be deferred with half due by December 31, 2021 and the other half due by December 31, 2022.

*Modifications for net operating losses (NOLs):* NOLs for the last three years can be carried back five years on amended prior years' tax returns. Pass-through entities may also take advantage of this provision.

Modification of limitation on business interest: Changes the amount businesses are allowed to deduct on their tax returns from 30% to 50% for 2019 and 2020.

Qualified improvement property: Allows businesses, especially in the hospitality industry, to immediately write off the cost of improving a facility instead of having to depreciate it over the 39-year life of the building.

### **“Phase 2”- H.R. 6201, The Families First Coronavirus Response Act**

Among its many provisions, this \$104 billion bill guarantees free coronavirus testing, provides emergency paid leave, and strengthens food security initiatives across a broad range of additional investments, including ensuring that children who depend on free and reduced-priced meals have access to food during school and childcare closures. H.R. 6201 also provides businesses with tax credits for qualified sick and family leave wages paid to employees.

#### Paid Sick Leave

Emergency paid leave requires employers with fewer than 500 employees to give 14 days off (two weeks) at the employee’s regular pay if employee gets COVID-19, is subject to a federal, state, or local quarantine related to COVID-19, or has been advised by a healthcare provider to self-quarantine to due COVID-19 concerns. The amount of paid sick leave per employee is limited to \$511 per day and \$5,110 total. The Act also requires employers to provide employees with 14 days off at two-thirds the employee’s regular pay to care for someone in quarantine or care for a child whose school is closed because of coronavirus precautions.

#### Paid Family Leave

Employees qualify for paid family leave if they are unable to work due to a need to care for a child whose school or place of care has closed because of a “public health emergency.” The first ten days of family leave may be unpaid, but after the first ten days, employers must provide employees with no less than two-thirds of an individual’s average monthly earnings for at least 30 days with 12 weeks of job-protected leave.

#### Exemptions and Tax Credits

There are exemptions for employers **of 50 or fewer**. Employers are entitled to a **refundable tax credit equal to 100%** of qualified sick leave wages paid each calendar quarter to cover the costs. H.R. 6201 also provides for refundable tax credits against the self-employment tax.

### **“Phase 1”- H.R.6074, the Coronavirus Supplemental**

This first bill provided the initial \$8.3 billion in emergency funding for federal agencies to respond to the coronavirus outbreak. H.R. 6074 was signed by POTUS and became law on March 6, 2020. A title-by-title summary is available [here](#), and bill text [here](#).

Eric J. Hamelback, CEO, The National HBPA

3380 Paris Pike / KY Training Center / Lexington, KY 40511 / 859-707-1452 Cell / 859-259-0451 Office