



COVID-19 (Coronavirus) - CARES Act

Friday, March 27, 2020

To provide emergency assistance and health care response for individuals, families, and businesses affected by the 2020 coronavirus pandemic, the "Coronavirus Aid, Relief, and Economic Security Act" or the "CARES Act" was passed by the Senate of United States with the following reliefs:

2020 Recovery Rebates for Individuals

Individuals with SSN# shall be allowed a credit against the tax imposed on their ordinary income for the first taxable year beginning in 2020 an amount equal to the lesser of:

- (1) Net income tax liability, or
- (2) \$1,200 (\$2,400 in the case of a joint return).

In either case, the credit amount shall not be less than \$600 (\$1,200 in the case of a joint return), and shall be increased by the product of \$500 multiplied by the number of qualifying children of the taxpayer.

**Credit amount shall be reduced (but not below zero) by 5 percent of so much of the taxpayer's adjusted gross income as exceeds \$75,000 (\$150,000 in the case of a joint return)*

Adjusted gross income according to the 2019 or 2018 Income Tax Return.

Eligible Individuals:

Taxpayer must have qualifying income of at least \$2,500, or net income tax liability greater than zero and gross income which is greater than the basic standard deduction.

Timing of Payment:

The Secretary shall refund or credit any overpayment attributable to this section as rapidly as possible. No refund or credit shall be made or allowed under this subsection after December 31, 2020.

Pandemic Unemployment Assistance & Emergency Increase in Unemployment Compensation Benefits

- Pandemic Unemployment Assistance – Payment* to those not traditionally eligible for unemployment benefits (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.

* Pandemic Unemployment Assistance pays 50% of state average benefits+\$600/week.

**Independent Contractors includes gig workers, such as Uber and Lyft drivers.

- Emergency Increase in Unemployment Compensation Benefits - An additional \$600 per week payment to each recipient of unemployment insurance or Pandemic Unemployment Assistance on top of what they would normally receive for up to four months until July 31.



- Short-Time Compensation Payments - “short-time compensation” programs, where employers reduce employee hours instead of laying off workers and the employees with reduced hours receive a pro-rated unemployment benefit
- No Waiting Week – States to pay recipients as soon as they become unemployed instead of waiting one week before the individual is eligible to receive benefits.
- Additional 13 weeks - An additional 13 weeks of unemployment benefits through December 31, 2020 to help those who remain unemployed after weeks of state unemployment benefits are no longer available (providing up to 39 weeks or nearly 10 months).

Paid Sick Leave for Workers & Self-Employed Individuals

Employees of eligible employers (employers with fewer than 500 employees) can receive either or both of the following paid sick leaves:

1. Two weeks (up to 80 hours) of paid sick leave at 100% of the employee's pay where the employee is unable to work because the employee is quarantined, and/or experiencing COVID-19 symptoms, and seeking a medical diagnosis. (Refundable sick leave credit for sick leave up to \$511 per day and \$5,110 in the aggregate, for a total of 10 days.)
2. Two weeks (up to 80 hours) of paid sick leave at 2/3 the employee's pay where the employee is unable to work because of a need to care for an individual subject to quarantine, to care for a child whose school is closed or child care provider is unavailable for reasons related to COVID-19, and/or the employee is experiencing substantially similar conditions as specified by the U.S. Department of Health and Human Services. (Refundable paid sick leave credit up to \$200 per day and \$2,000 in the aggregate, for up to 10 days AND Child Care Leave Credit is capped at \$200 per day or \$10,000 in the aggregate for up to 10 weeks)

**Employers with fewer than 50 employees are eligible for an exemption from the requirements to provide leave to care for a child whose school is closed, or child care is unavailable in cases where the viability of the business is threatened.*

Complete Coverage:

Employers receive 100% reimbursement for paid leave pursuant to the Families First Coronavirus Response Act (Act).

Health insurance costs are also included in the credit.

Employers face no payroll tax liability.

Self-employed individuals receive an equivalent credit.

Prompt Payment for/Adjustment of the Cost of Providing Leave:

A) An immediate dollar-for-dollar tax offset against payroll taxes will be provided

B) If there are not sufficient payroll taxes to cover the cost of qualified sick and child care leave paid, employers will be able file a request for an accelerated payment from the IRS

C) Where a refund is owed, the IRS will send the refund as quickly as possible



D) The payroll taxes that are available for retention include:

- (i) Withheld federal income taxes
- (ii) Employee share of Social Security and Medicare taxes, and
- (iii) Employer share of Social Security and Medicare taxes with respect to all employees.

Self-Employed Individuals:

Equivalent child care leave and sick leave credit amounts are available to self-employed individuals under similar circumstances. These credits will be claimed on their income tax return and will reduce estimated tax payments.

Above mentioned credits can only be claimed up to December 31, 2020.

Small Business Loan Program & Loan Forgiveness

Loan Program:

Small businesses with less than 500 employees are eligible to receive a loan made under section 7(a) of the Small Business Act (15 U.S.C. 636(a)) @ 3.75%. The interest rate for non-profits is 2.75%.

Loan Forgiveness:

The said loan shall be eligible for forgiveness of indebtedness and the amount of loan forgiveness shall not exceed the sum of:

- The total payroll costs incurred during the covered period (March 1, 2020 and ending on June 30, 2020); and
- The amount of payments made during the covered period on debt obligations that were incurred before the covered period.

Required Documents to be submitted to the lender for Loan Forgiveness:

1. Documentation verifying the number of full-time equivalent employees on payroll and pay rates for the covered period;
2. Payroll tax filings reported to the Internal Revenue Service;
3. State income, payroll, and unemployment insurance filings;
4. Financial statements verifying payment on debt obligations incurred before the covered period; and
5. Any other documentation the Administrator determines necessary.

Special Rules for Use of Retirement Funds (Distributions received from March 25, 2020 to December 31, 2020)

- Individuals can receive the distribution from their Retirement Funds which may be treated as coronavirus-related distributions. Any amount received shall be included ratably over the 3-taxable-year period beginning with current taxable year.
- The plan shall not be treated as violating any requirement of the Code merely because the plan treats such distribution as a coronavirus-related distribution unless the aggregate amount of



such distributions from all plans maintained by the employer to such individual exceeds \$100,000.

- Individual may, at any time during the 3-year period beginning on the day after the date on which such distribution was received, make 1 or more contributions in an aggregate amount not to exceed the amount of such distribution to an eligible retirement plan of which such individual is a beneficiary and to which a rollover contribution of such distribution could be made under the regulations of Code.
- The taxpayer shall, to the extent of the amount of the contribution, be treated as having received the coronavirus-related distribution in an eligible rollover distribution and as having transferred the amount to the eligible retirement plan in a direct trustee to trustee transfer within 60 days of the distribution.

2020 Estimated Tax Payments for Individuals & Corporations

- In case of an individual or Corporation, the due date for any required installment under section 6654 or 6655 (Failure by individual to pay estimated income tax) of the Code, which (but for the application of this section) would be due during the applicable period shall not be due before October 15, 2020, and all such installments shall be treated as one installment due on such date.
- The Secretary of the Treasury (or the Secretary's delegate) shall prescribe such regulations or other guidance as may be necessary to carry out the purposes of this subsection.

Delay of Payment of Employer Payroll Taxes

The payment for applicable employment taxes (FICA) for the payroll tax deferral period (March 25, 2020 to January 01, 2021) shall not be due before the following applicable date:

- (A) December 31, 2021, with respect to 50 percent of the amounts, and
- (B) December 31, 2022, with respect to the remaining such amounts.

Note: This relief is not available to any taxpayer if such taxpayer has had indebtedness forgiven under Loan Forgiveness Relief (SBA Loan)

Modification of limitation on business interest (50% instead of 30%)

Businesses are allowed to deduct interest expense on their tax returns, by increasing the 30-percent limitation to 50 percent of taxable income (with adjustments) for 2019 and 2020.

Emergency Relief through Loans and Loan Guarantees

- The Secretary is authorized to make or guarantee loans to eligible businesses to provide them liquidity for business related to losses incurred as a direct result of coronavirus.
- It shall be provided in such form and on such terms and conditions and contain such covenants, representatives, warranties, and requirements (including requirements for audits) as the Secretary determines appropriate.



- It shall be at a rate not less than a rate determined by the Secretary taking into consideration the current average yield on outstanding marketable obligations of the United States of comparable maturity.

****Limitation on Certain Employee Compensation whose total compensation exceeds \$425,000.***

During the 2-year period beginning March 01, 2020 and ending March 01, 2022, such employee's aggregate compensation for 12 consecutive months should not exceed the compensation paid in 2019 and upon termination, the severance payment should not exceed twice the amount of compensation paid in 2019.

Sources and further information can be read directly from the below link:

<https://www.congress.gov/bill/116th-congress/senate-bill/3548/text#toc-id40c30dd4a08343e7b83eefd391b45c4e>

[https://www.finance.senate.gov/imo/media/doc/CARES%20Act%20Section-by-Section%20\(Tax,%20Unemployment%20Insurance\).pdf](https://www.finance.senate.gov/imo/media/doc/CARES%20Act%20Section-by-Section%20(Tax,%20Unemployment%20Insurance).pdf)

<https://www.cnbc.com/2020/03/26/coronavirus-relief-act-expanded-unemployment-payment-and-eligibility.html>