

# Payroll Tax Deferral Safe Harbor PPP report

September 11, 2020



# Payroll Tax Deferral



# Here is what we know today:

The deferral is effective for the period of September 1, 2020, through December 31, 2020.

Employees are only eligible to defer if they have Social Security taxable wages equal to or less than a threshold amount of less than:

- \$2,000 - weekly
- \$4,000 - biweekly
- \$4,333 - semi-monthly
- \$8,666 - monthly

Threshold is determined on a payroll to payroll basis, which means that the timing of compensation can impact eligibility for deferrals. I.E. Bonuses





# Example of Benefit and Repayment

<b>Income</b>	<b>Bi-Weekly Pay</b>	<b>Increase Per Pay Period</b>	<b>Tax Bill Due in 2021 (based on 9 pay periods)</b>	<b>Repayment Per Pay Period during 2021</b>
\$35,000	\$1,346.15	\$83.46	\$ 751.15	\$83.46
\$50,000	\$1,923.08	\$119.23	\$1,073.08	\$119.23
\$75,000	\$2,884.62	\$178.85	\$1,609.62	\$178.85
\$104,000	\$4,000.00	\$248.00	\$ 2,232.00	\$248.00





Currently the withholding is a DEFERRAL, not a tax credit or tax cut, therefore future payback obligations will be necessary. As part of the Treasury's guidance, any employee social security that is deferred will need to be paid no later than 5/1/2021. Employers will have from 1/1/2021-4/30/2021 to withhold and pay the taxes. Taxes will be considered due based on when the taxes are withheld from the employee. IE: EE SS from 2020 that is withheld in 2021 will be due at the same time of your regular 941 taxes for the same payroll period that it is processed within.





**Opt-in/Required:** Advice from Treasury Secretary Mnuchin has indicated that the employer can opt in or out, but the Executive Order indicates that the employee makes that choice. In either case, the employer is responsible for repayment and for making arrangements to otherwise collect the total from the employee if necessary.

There is a significant risk that, even with careful planning, employers will end up responsible for some repayment amounts because of an inability to withhold or collect from the employee.





## Options to consider

### 1. **Allow employees to choose whether to opt in or out.**

For most employers, this is the least attractive option because it places a burden on the employer to provide notices and guidance to employees about the program, to administer the program without any standard forms or guidance on how to collect elections and revocations, and to make and enforce arrangements to collect repayment amounts when withholding may not be possible in 2021.

### 2. **Opt out.**

Given the uncertainty and difficulty in an election to participate, this seems to be the easiest solution. Unfortunately, this solution may create employee relations problems if employees are seeking relief from immediate financial pressures. Additionally, if the deferral is eventually forgiven, these employers' employees will have paid as much as \$2,232.00 that they did not have to pay

### 3. **Opt in.**

Employers who opt in may be faced with practical difficulties in 2021. If the amounts deferred are not forgiven, the employees will have as much as \$248 deducted from each bi-weekly paycheck during January, February, March, and April of 2021. For many households, this deduction could result in financial hardship. Additionally, employers opting in risk having to assume responsibility for repayment in some circumstances.





If an Employer wishes to participate in the program, despite the lack of detailed guidance, you may do the following:

1. Contact Customer Service @ [customerservice@dominionpayroll.com](mailto:customerservice@dominionpayroll.com) and notify us that you wish to participate in this program.
2. Customer Service will provide instructions for blocking the Employee Social Security tax. You will need to block the tax manually on each paycheck for each employee. You will need to block the tax on every paycheck manually going forward until the end of the year. Payroll systems are designed to self-correct Social Security taxes in order to keep the system in balance, therefore, if you do not block the tax on each paycheck the system will attempt to catch up any unpaid amounts from previous paychecks. In the event of an employee who can defer and then goes over the limit and is not able to defer anymore, you will have to block the tax and manually calculate the amount of Social Security that needs to be deducted, due to the self-correcting.
3. You will need to monitor your 'Exceptions' report each payroll to account for any unpaid amounts for employees.
4. You will separately need to determine how to establish accountability with each employee you allow to defer these taxes. It will be your responsibility as the Employer to collect these taxes when they are due, and to cover any unpaid balances due to employee inability to pay back the unpaid balance.

Dominion Payroll will not be responsible for any penalties or interest associated with your company's participation in the program.

Based on the lack of additional guidance provided to payroll providers, we will do our best to accommodate client requests to participate in this [program](#) but we strongly encourage clients to await further guidance from the IRS.





We have an employee Opt in form that will be available next week.

It will explain the parameters of the Employee Deferral

It will explain the employees responsibility as far as the repayment of the deferred taxes

### COVID-19: Employee Social Security Deferral Opt-In Form:

This elective deferral of the employee Social Security tax (6.2%) is effective for check dates from 9/1/2020-12/31/2020. If you opt-in to the deferral of your Social Security taxes you are agreeing to the following:

1. This is only a deferral of taxes which means you will still be required to pay these taxes at a later date. The total amount of taxes deferred from 9/1/2020-12/31/2020 will be split evenly and across the check dates from 1/1/2021-4/30/2021. You understand and agree that you will be responsible for paying the Social Security tax not only on your current check (in 2021) but also the additional amount that was deferred from 2020.
2. In the event of a separation of employment during either the deferral period (9/1/2020-12/31/2020) and the recollection of taxes period (1/1/2021-4/30/2021), we will collect any remaining outstanding balance of taxes owed from your final paycheck. If there is still a balance owed beyond that, you understand you will need to make arrangements to pay that back to the company.
3. Employees are only eligible to defer if they have Social Security taxable wages, per weekly pay period of less than \$2,000, per bi-weekly pay period of less than \$4,000, per semi-monthly pay period of less than \$4,333 and per monthly pay period of less than \$8,666. You understand that, if at any point during the deferral period your pay exceeds those limits, you will not be able to defer your Social Security tax on that particular check date.

I, \_\_\_\_\_, hereby authorize [company name] to defer my portion of Social Security tax from (starting check date)-12/31/2020. I understand that I will be paying back the deferred Social Security tax during the period of 1/1/2021-4/30/2021. I further agree that, in the event my employment shall terminate, either voluntarily or involuntarily, prior to the full repayment of the total amount of Social Security tax deferred from (starting check date)-12/31/2020, the company may withhold the remaining amount owed from my final pay, except to the extent prohibited by federal or state minimum wage law. If there is any remaining balance owed after my final pay, I understand that I am responsible for making arrangements with [company name] to pay off the balance owed. I represent that this authorization is executed voluntarily and has not been made as a condition of my continued employment.

\_\_\_\_\_  
Employee Name Payroll NameHR Name

\_\_\_\_\_  
DateDateDate

\_\_\_\_\_  
Employee SignaturePayroll SignatureHR Signature





# Safe Harbor #1





Borrowers are also exempted from the loan forgiveness reduction arising from a reduction in the number of FTE employees during the covered period if the borrower is able to document in good faith an inability to return to the same level of business activity as the borrower was operating at before February 15, 2020, due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020 by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention (CDC), or the Occupational Safety and Health Administration related to the maintenance of standards for sanitation, social distancing, or any other worker or customer

safety requirement related to COVID-19 (COVID Requirements or Guidance).

Specifically, borrowers that can certify that they have documented in good faith that their reduction in business activity during the covered period stems **directly or**

**indirectly** from compliance with such COVID Requirements or Guidance are

exempt from any reduction in their forgiveness amount stemming from a reduction in FTE employees during the covered period. Such documentation must include copies of applicable COVID Requirements or Guidance for each business location and relevant borrower financial records.

## Safe Harbor #1

Example: A PPP borrower is in the business of selling beauty products both online and at its physical store. During the covered period, the local government where the borrower's store is located orders all non-essential businesses, including the borrower's business, to shut down their stores, based in part on COVID-19 guidance issued by the CDC in March 2020. Because the borrower's business activity during the covered period was reduced compared to its activity before February 15, 2020 due to compliance with COVID Requirements or Guidance, the borrower satisfies the Flexibility Act's exemption and will not have its forgiveness amount reduced because of a reduction in FTEs during the covered

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period, if the borrower in good faith maintains records regarding the reduction in business activity and the local government's shutdown orders that reference a COVID Requirement or Guidance as described above.





# PPP Forgiveness Report

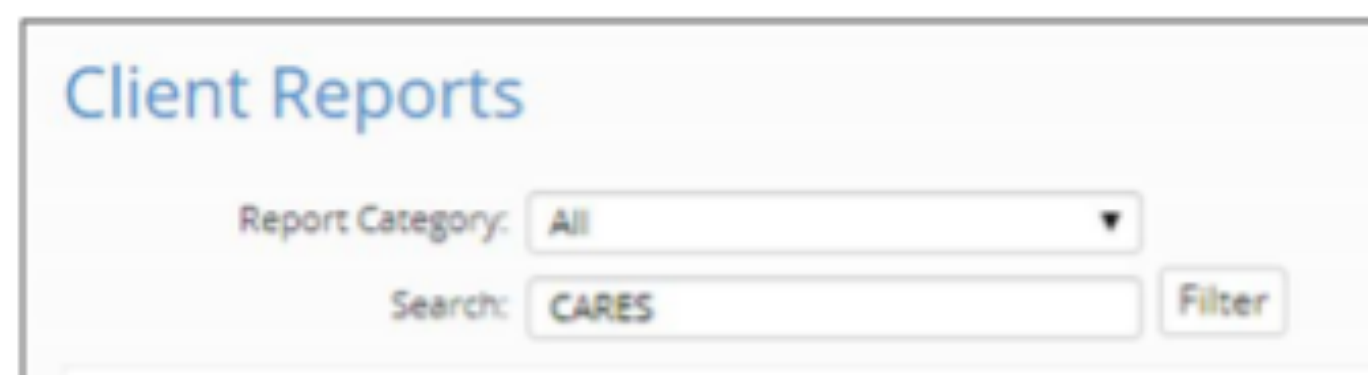




# PPP Forgiveness Report

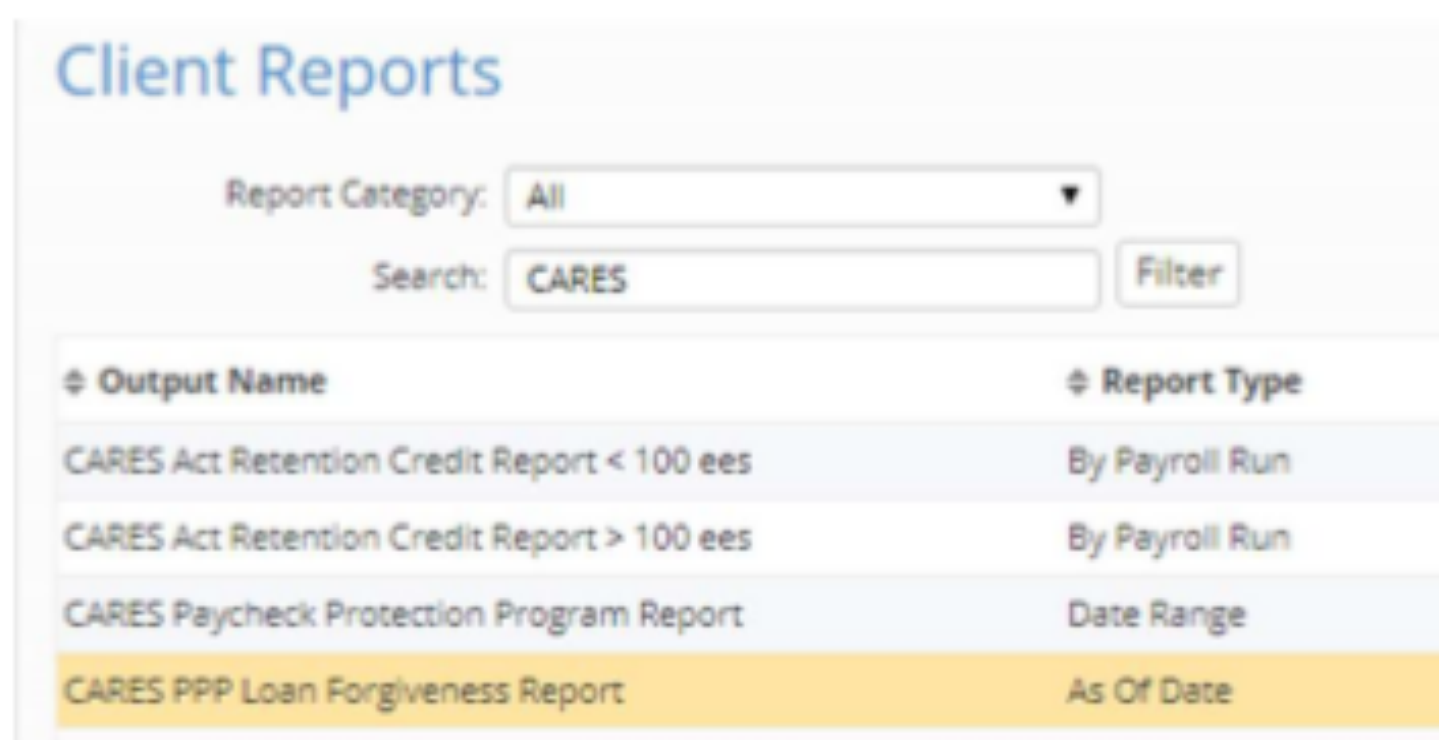
## Client Reports

Navigate to Reporting > Client Reports. In the **Search** box, key in “CARES” and click on **Filter**.



A screenshot of the 'Client Reports' search interface. It features a title 'Client Reports' in blue. Below the title, there is a 'Report Category' dropdown menu set to 'All'. To the right of the dropdown is a 'Search' input field containing the text 'CARES'. To the right of the search field is a 'Filter' button.

Select the “CARES PPP Loan Forgiveness Report.”



A screenshot of the 'Client Reports' results table. The table has two columns: 'Output Name' and 'Report Type'. The first three rows are for 'CARES Act Retention Credit Report' (less than 100 employees, greater than 100 employees) and 'CARES Paycheck Protection Program Report'. The fourth row, 'CARES PPP Loan Forgiveness Report', is highlighted in yellow. The 'Report Type' for the highlighted row is 'As Of Date'.

Output Name	Report Type
CARES Act Retention Credit Report < 100 ees	By Payroll Run
CARES Act Retention Credit Report > 100 ees	By Payroll Run
CARES Paycheck Protection Program Report	Date Range
CARES PPP Loan Forgiveness Report	As Of Date





# PPP Forgiveness Report

Let the report run with the default filtering, Grouping and options with the exceptions of the following:

- Select legal company if you have more than 1
- Change the covered period if you are choosing 24 weeks
- Change the format to excel. The default is now pdf to meet the expectations of some lenders.
- Keep in mind the pdf format only generates the Schedule A worksheet, Table 1 and Table 2

The screenshot shows a web interface for generating a PPP Forgiveness Report. At the top, there are two links: "Generate Report" and "Go To My Reports Queue". The interface is divided into three main sections: Filtering, Grouping, and Options.

**Filtering**

- A note: "This report is available to run at the client level. If the Legal Company is left blank the report will be run for ALL Companies."
- Legal Company: A dropdown menu.
- Include Term'd Companies: A checkbox.

**Grouping**

- Include Pay Group Breakdown: A checkbox.
- Organization Level 1: A dropdown menu.
- Organization Level 2: A dropdown menu.

**Options**

- Covered Period Duration: A dropdown menu set to "8 weeks".
- Weekly FTE Hours Threshold: A text input field.
- Seasonal Period Begin Date: A date picker.
- Wkly/Biweekly Coverage Option: A dropdown menu set to "Alternative Payroll Covered Period - start with the pay s".
- Mth/Semi-Mthly Coverage Opt...: A dropdown menu set to "Covered Period".
- Incurred Or Paid Option: A dropdown menu set to "Include all payrolls paid or incurred during the Coverec".
- Incurred Pay Period Option: A dropdown menu set to "Include ONLY Days incurred within the Loan Period for".
- Format: A dropdown menu set to "PDF".



# PPP Forgiveness Report

Once your selections are made:

1. Click on Generate Report.
2. Once generated, click “Go to My Reports Queue.”
3. Click on the report generated.
4. Click “View Report”

My Reports Queue							
Client ID	Report Name	Status	Report Requested	Generate Begin	Generate End	Purge Date	View Report
PPP1234	CARES PPP Loan Forgiveness Report	GENERATED	5/28/2020 9:12:38 PM	5/28/2020 9:12:52 PM	5/28/2020 9:13:14 PM	5/31/2020 9:13:14 PM	<a href="#">View Report</a>



# PPP Forgiveness Report

Only designate owners with 5% or greater ownership

Owner-employees that do not have 2019 earnings history in iSolved to perform the comparison of 2019 compensation to the owner maximums, will have the loan period wages reported up to the appropriate maximum limit on Line 9 of the Schedule A based on the 8- or 24-week loan period

8-week maximum - \$15,385

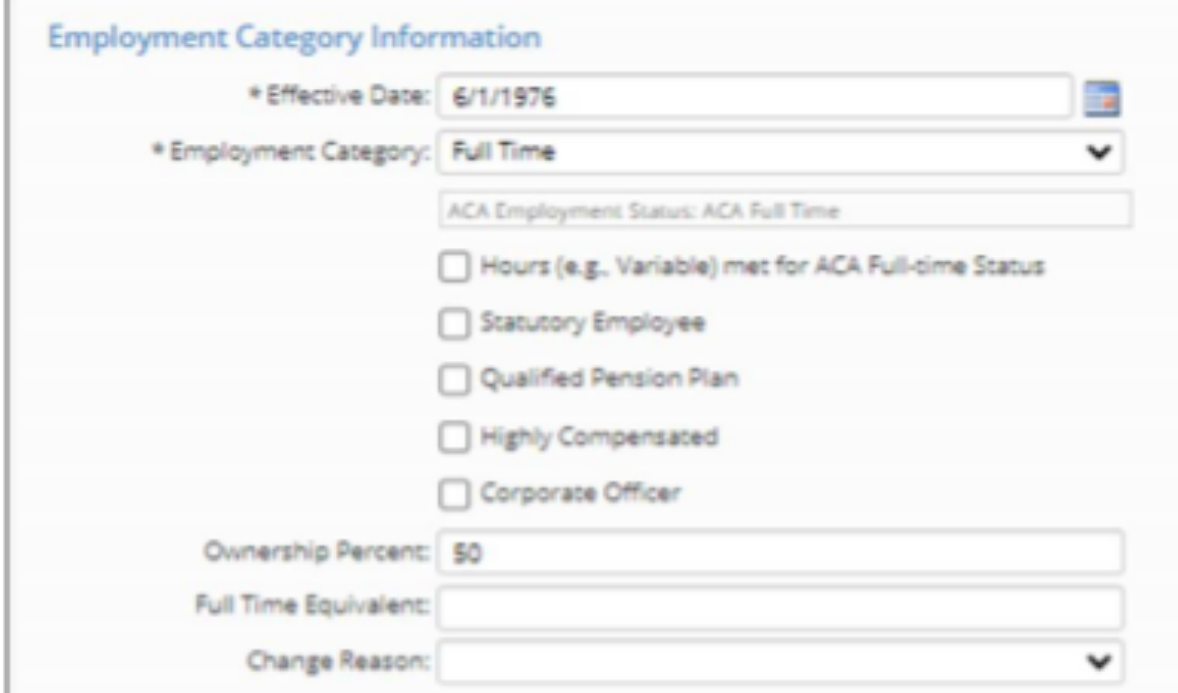
24-week maximum - \$20,833

C-corp owner-employees > compensation + employer contribution to healthcare and retirement

S-corp owner-employees > compensation + employer contribution to retirement

In order to indicate ownership for an employee(s), navigate to Employee Management > Employee Maintenance > Employment.

1. Select the employee owner.
2. Click on the **Edit** icon.
3. In the **Ownership Percent** field, enter the employee's percent of ownership.
4. Click on the **Save** icon.
5. Repeat process for all owners until combined percent equals 100%.



The screenshot shows the 'Employment Category Information' form. It includes the following fields and options:

- \* Effective Date: 6/1/1976
- \* Employment Category: Full Time (dropdown menu)
- ACA Employment Status: ACA Full Time
- ☐ Hours (e.g., Variable) met for ACA Full-time Status
- ☐ Statutory Employee
- ☐ Qualified Pension Plan
- ☐ Highly Compensated
- ☐ Corporate Officer
- Ownership Percent: 50
- Full Time Equivalent: (empty field)
- Change Reason: (dropdown menu)





# PPP Forgiveness Report

## FTE Reduction Exceptions

The Small Business Administration has determined that specific exceptions for FTE reduction are:

- Employee terminated for cause during loan period
- Employee declined to be rehired during loan period
- Employee requested reduced hours during loan period

In order to track those employees that qualify, you can create a Miscellaneous Field to indicate that one of the exceptions apply.

Navigate to Client Management > Tables > Misc. Field Categories.

1. Click on the **Add New** icon.
2. The **Category Title** is discretionary.
3. *Do not* check "Data Set Field."
4. Click on **Save**.

Once the Category is created, navigate to Client Management > Tables > Misc. Employee Fields.

1. Click on the **Add New** icon.
2. For **Field Code**, enter "CAREFTEX."
3. For **Field Title**, enter "CARES FTE Reduction Exception."
4. For **Category**, use one created under Misc. Field Categories.
5. Enter "1" for **Display Order**.
6. Select "True/False" for **Data Type**.
7. Allow access to Employee, Manager or Supervisor (if applicable).
8. Click on the **Save** icon.

The screenshot shows a web interface for managing 'Misc Employee Fields'. At the top, there's a tab labeled 'Misc Employee Fields'. Below it is a dark blue header bar with icons and labels for '+ Add New', 'Edit', 'Delete', 'Refresh', 'Save', and 'Cancel'. The main content area is titled 'Miscellaneous Employee Fields' in blue. It contains several input fields: 'Field Code' with the value 'CAREFTEX', '\* Field Title' with 'CARES FTE Reduction Exception', '\* Category' with a dropdown menu showing 'CARES fields', '\* Display Order' with '1', and '\* Data Type' with a dropdown menu showing 'True / False'. Below these fields are four checkboxes: 'Allow Employee Access', 'Allow Manager Access', 'Allow Supervisor Access', and 'Is Inactive', all of which are currently unchecked.

## FTE Reduction Exceptions

If you had any employees you could not hire back, their FTE can be included here. They can be included if the position was not filled by a new employee and they meet one of the following conditions:

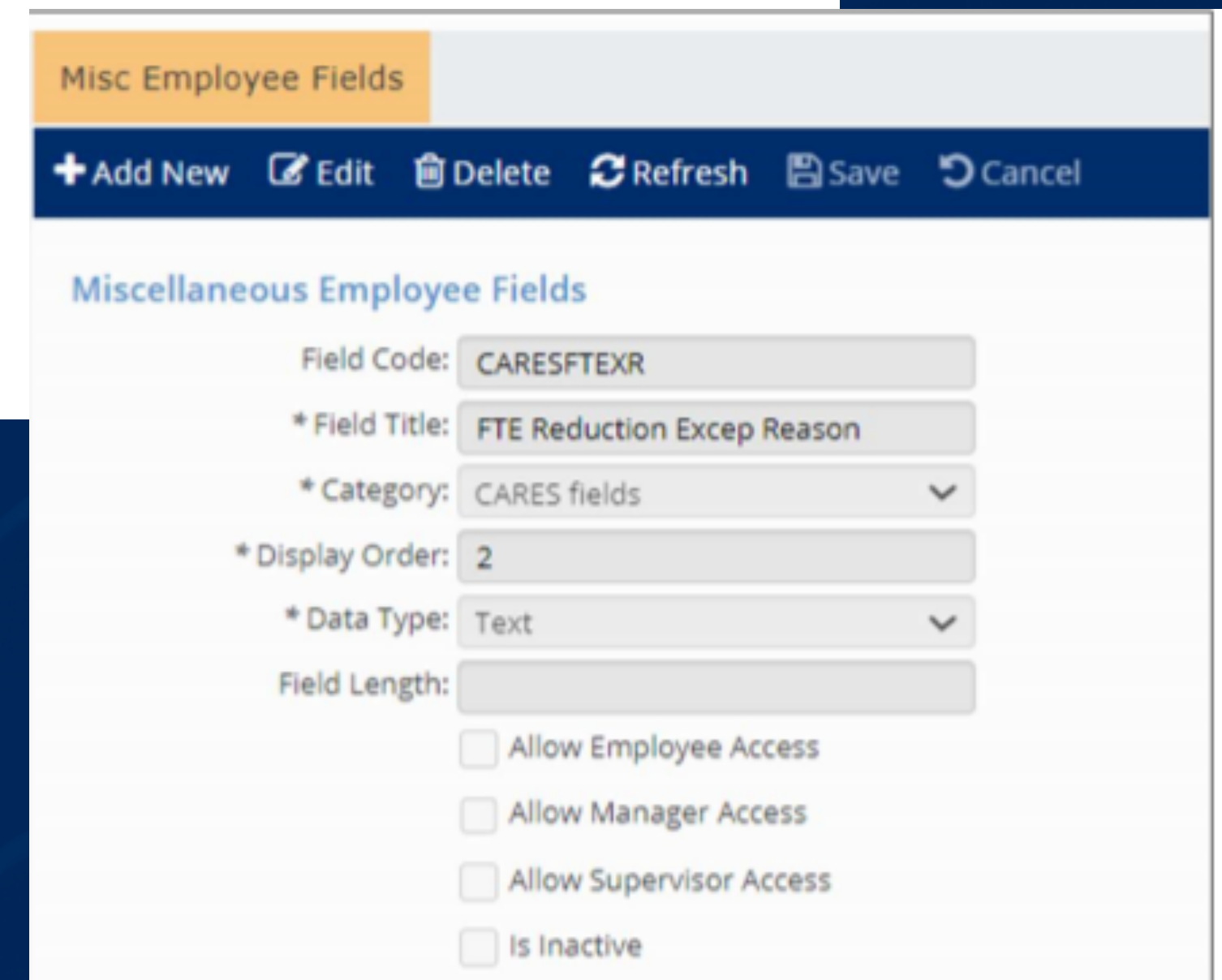
- The employee rejected your good-faith, written offer to rehire them at the same pay rate/hours as before
- They were were fired for cause
- They voluntarily resigned
- They voluntarily requested and received a reduction of their hours



# PPP Forgiveness Report

Additionally, add a field for the exception description. Navigate to Client Management > Tables > Misc. Employee Fields.

1. Click on the **Add New** icon.
2. For **Field Code**, enter "CARESFTEXR."
3. For **Field Title**, enter "FTE Reduction Excep Reason."
4. For **Category**, use one created under Misc. Field Categories.
5. Enter "2" for **Display Order**.
6. Select "Text" for **Data Type**.
7. The **Field Length** setting is optional.
8. Allow Employee, Manager or Supervisor (if applicable).
9. Click on the **Save** icon.



Misc Employee Fields

+ Add New Edit Delete Refresh Save Cancel

Miscellaneous Employee Fields

Field Code: CARESFTEXR

\* Field Title: FTE Reduction Excep Reason

\* Category: CARES fields

\* Display Order: 2

\* Data Type: Text

Field Length:

☐ Allow Employee Access

☐ Allow Manager Access

☐ Allow Supervisor Access

☐ Is Inactive

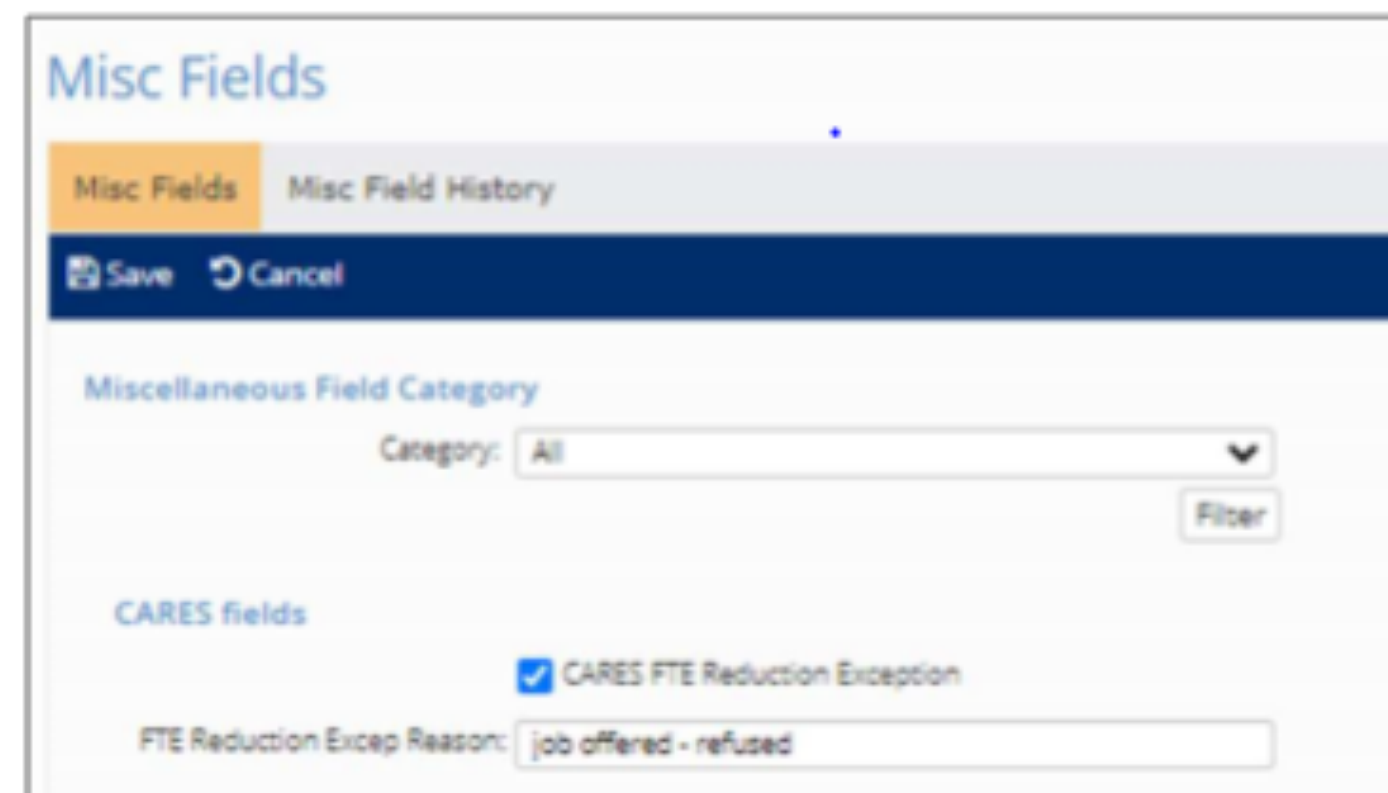




# PPP Forgiveness Report

When the employee is identified that qualifies for the FTE Reduction Exception, navigate to Employee Management > Employee Maintenance > Misc. Fields.

1. Click on “CARES FTE Reduction Exception” to mark as *true*.
2. In the **FTE Reduction Excep Reason** field, enter text for reason for exception.
3. Click on the **Save** icon.



The screenshot shows a web-based form titled "Misc Fields". At the top, there are two tabs: "Misc Fields" (which is active and highlighted in orange) and "Misc Field History". Below the tabs is a dark blue bar containing "Save" and "Cancel" buttons. The main content area is divided into sections. The first section is "Miscellaneous Field Category", which includes a "Category:" dropdown menu set to "All" and a "Filter" button. The second section is "CARES fields", which contains a checkbox labeled "CARES FTE Reduction Exception" that is checked. Below this checkbox is a text input field labeled "FTE Reduction Excep Reason:" containing the text "job offered - refused".



# PPP Forgiveness Report

## FTE Overrides for Employees

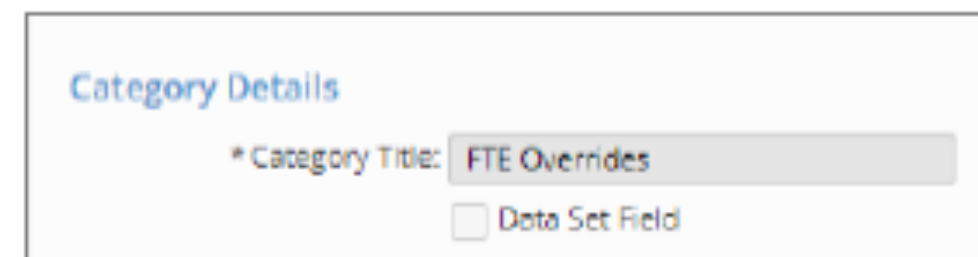
An FTE override may need to be added. An example would be if a salary employee did not report hours.

In order to accomplish the override for any of the periods, a Miscellaneous Field needs to be created for each comparison period to be shown in those areas of the report that show the FTE value.

Here are the Miscellaneous Fields you are able to add:

1. CARESFTELN - Loan Period FTE override
2. CARESFTE19 - 2019 Comparison Period FTE override
3. CARESFTE20 - 2020 Comparison Period FTE override
4. CARESFTESN - Seasonal Comparison Period FTE override

Here is an example of one of the Miscellaneous Fields:



The screenshot shows a form titled "Category Details". It contains a label "\* Category Title:" followed by a text input field containing "FTE Overrides". Below this is a checkbox labeled "Data Set Field" which is currently unchecked.

- Navigate to Client Management>Tables>Misc Field Categories
- Click **Add New**
- **Category Title** – FTE Override
- Click **Save**

Once this step is complete:

- Navigate to Client Management>Tables>Misc Employee Fields
- Click **Add New**
- **Field Code** – CARESFTELN (or any others listed above)
- **Field Title** – discretionary or use titles above
- **Category** – FTE Overrides
- **Display Order** - discretionary
- **Data Type** – Numeric
- **Decimal Places** - 2
- **Other Options** – select if you want Employee, Manager or Supervisor access to update this field
- Click **Save**



# PPP Forgiveness Report

When the employee is identified that qualifies for the FTE Override, navigate to Employee Management > Employee Maintenance > Misc. Fields. This field is optional.

1. Click on “CARES FTE Override” and enter the FTE Average
2. Click on the **Save** icon.

The screenshot shows a web application interface for 'Misc Fields'. At the top, there are two tabs: 'Misc Fields' (active) and 'Misc Field History'. Below the tabs is a dark blue bar with 'Save' and 'Cancel' buttons. The main content area is titled 'Miscellaneous Field Category' and contains a 'Category:' dropdown menu set to 'All' with a 'Filter' button next to it. Below this is a section titled 'FTE Override' which contains four input fields: 'Loan Period FTE Override' (with the value '1.0'), '2019 Comparison FTE Override', '2020 Comparison FTE Override', and 'Seasonal Comparison FTE Override'.

Miscellaneous Field Category	
Category:	All
<button>Filter</button>	
<b>FTE Override</b>	
Loan Period FTE Override:	1.0
2019 Comparison FTE Override:	
2020 Comparison FTE Override:	
	Seasonal Comparison FTE Override:



We are answering your questions live on the air right now.

Please submit questions through the **Q&A function**,  
*not the chat option* at the bottom of your screen.





# *Questions?*

For legislative and regulatory questions, please email:

[questions@dominionpayroll.com](mailto:questions@dominionpayroll.com)







*Don't forget to wash your hands!*

