

Coronavirus Relief Bill & Creating New Tax Agency Accounts

December 22, 2020

Coronavirus Response & Relief Supplemental Appropriations Act

Everything + The Kitchen Sink

Coronavirus Relief Bill

\$900B Pandemic Aid Bill, clocking in at 5,593 pages long, was overwhelmingly passed by Congress Monday night.

This bill is part of a \$2.3T fiscal package that will fund the federal government through September 30, 2021.

Coronavirus Relief Bill

What's in the bill?

- One-time, \$600 direct stimulus payment to individuals making \$75k or less, \$600 for dependent children
- Supplemental unemployment benefit of \$300/week for 11 weeks, \$100/week to “mixed earners”
- New round of PPP funding

Coronavirus Relief Bill

Employee Retention Tax Credit

- ERTC extended through June 30, 2021
- Increases the tax credit rate from 50% to 70%
- Raises the limit on creditable wages from \$10k/employee/year to \$10k/employee/quarter
- Allows new employers established in 2019 or 2020 to take advantage of the tax credit
- Expands eligibility for the credit by reducing the required year-over-year decline in gross receipts from 50% to 20%

Coronavirus Relief Bill

What's in the bill?

- \$82B Education Funding
- \$69B Vaccine Distribution
- \$45B Airlines, Airports, Amtrak & Public Transportation
- \$25B Rental Assistance
- \$22B Contact Tracing & Testing
- \$13B Emergency Food Assistance
- \$7B Broadband Access

Coronavirus Relief Bill

What's in the bill? Everything + The Kitchen Sink

- Ban on Surprise Medical Bills
- Funding for 2 New Smithsonian Museums
- Changes to FAFSA
- 100% Deduction for Business Meal Expenses
- 80+ Tax Breaks (benefitting beer brewers, motorsports, race horses, etc.)

Coronavirus Relief Bill

What's NOT in the bill?

- Direct assistance to state and local governments
- COVID-19 liability protections for businesses and nonprofits

Coronavirus Response & Relief Supplemental Appropriations Act

PPP & EIDL Loan Changes

PPP Loan Deductibility

PPP Borrowers will not lose the income tax deduction that was expected to be available for expenses paid from PPP loans for items that are normally tax deductible

While the original “Coronavirus Aid, Relief, and Economic Security Act” (“CARES Act”) made it clear that the forgiveness of a PPP loan would not be included in income, the proposed language for the new legislation clearly indicates that expenses paid with a PPP loan will be deductible using the normal rules associated therewith.



Eligible Recipients May Receive a Second PPP Loan

An “eligible recipient” is defined as “any business concern, nonprofit organization, housing cooperative, veterans organization, Tribal business concern, eligible self-employed individual, sole proprietor, independent contractor, or small agricultural cooperative” that meets the following three requirements:

1. Employs not more than 300 employees;
2. Has or will use the full amount of their first PPP loan; and
3. Had gross receipts during the first, second, third, or, only with respect to an application submitted on or after January 1, 2021, fourth quarter in 2020 that demonstrate not less than a 25 percent reduction from the gross receipts of the entity during the same quarter in 2019.



Eligible Recipients May Receive a Second PPP Loan

Some may remember that borrowers were required to certify in good faith on their initial PPP loan application that the loan is “necessary to support the on-going operations of the applicant.” This “necessity requirement” is still in place following the passage of this Act.

It may be hard for businesses that have survived one or two hard quarters, but are now making ends meet to honestly certify that the loan is “necessary” for the ongoing operation of the business, even though the business could reasonably argue that they need the loan. The test will present a very important issue to be carefully addressed with the borrower’s CPA, financial and legal advisors.



Simplified Application for Loans Under \$150,000

Borrowers who received less than \$150,000 in PPP loans during the first round will now only have to submit a one-page application for forgiveness, but all of the same rules apply.

It is my recommendation is that borrowers fill out the long application but actually submit the short application, with their answers in the long application being ready for review in case they are ever audited.



Covered Period

Borrowers are now able to choose a covered period that can be as short as 8 weeks and as long as 24 weeks immediately after the second loan is received. This period begins on the day of disbursement and ends on any day selected by the borrower, but no earlier than 8-weeks and no later than 24 weeks from the date the loan proceeds are received



Additional Eligible Expenses

The Act expands on the list of forgivable expenses to now include the following:

1. Covered operations expenditures defined as “a payment for any business software or cloud computing service that facilitates business operations, product or service delivery, the processing, payment, or tracking of payroll expenses, human resources, sales and billing functions, or accounting or tracking of supplies, inventory, records and expenses.”
2. Covered property damage cost defined as “a cost related to property damage and vandalism or looting due to public disturbances that occurred during 2020 that was not covered by insurance or other compensation.”
3. Covered supplier cost defined as “an expenditure made by an entity to a supplier of goods for the supply of goods that (1) are essential to the operations of the entity at the time at which the expenditure is made; and (2) is made pursuant to a contract, order, or purchase order in effect at any time before the covered period with respect to the applicable covered loan, or with respect to perishable goods in effect before or at any time during the covered period with respect to the applicable covered loan.”
4. Covered worker protection expenditure defined as means an operating or a capital expenditure to facilitate the adaptation of the business activities of an entity to comply with requirements established or guidance issued by the Department of Health and Human Services, the Centers for Disease Control, or the Occupational Safety and Health Administration, or any equivalent requirements established or guidance issued by a State or local government, during the period beginning on March 1, 2020 and ending the date on which the national emergency declared by the President under the National Emergencies Act (50 U.S.C. 1601 et seq.) with respect to the Coronavirus Disease 2019 (COVID-19) expires related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19.



EIDL Advance Non-Taxable & No Longer Reduces PPP Loan Forgiveness

The Act also replenishes the EIDL Advance fund, which allows businesses suffering a substantial economic injury to apply for an advance that does not need to be repaid or up to \$1,000 per employee limited to \$10,000 total.

Prior law stated that any EIDL Advance received would reduce PPP Loan Forgiveness, essentially requiring the Advance to be repaid.

The new Act repeals this provision so the receipt of an EIDL Advance will have no impact on PPP loan forgiveness. Borrowers that have already applied for and received loan forgiveness presumably may now amend their application to request that the \$10,000 EIDL Advance (or amount actually received) not reduce their forgiveness amount and request repayment.



Determining the Number of FTEs

Question: How do I determine the number of FTEs and for what time frames do I need an FTE count

Answer: FTEs have to be determined for 2 reference periods (2/15/2020 – 6/30/2020 and 1/1/2020 – 2/29/2020) and for your loan period. Your lender may also ask you for your FTE count on 1/1/2020 if you are using the 3508EZ - Maintain the documentation of your required FTE calculations

The SBA gives you two methods for determining FTEs

Method 1 – EEs working 40 or more hours/wk = 1 FTE

EEs working 40 or less hours/wk = 0.5 FTE

Method 2 – Average hours worked each week/40 = #FTE
(round to the nearest tenth)



FFCRA 2020

- The original FFCRA *mandatory* paid leaves put in place April 1, 2020, *still apply through* December 31, 2020.
- So if you have fewer than 500 employees, your FT, PT and seasonal employees are entitled to Emergency Paid Sick Leave or Expanded FMLA if they get sick, have symptoms, are awaiting a test, are caring for someone who is sick, or are home with children whose school or place of care is closed due to Covid-19.
- These wages will be paid by the government up to \$511/day for Emergency Paid Sick Leave and up to \$200/day for Expanded FMLA



FFCRA 2021

- As of January 1, 2021, FFCRA paid leaves are *optional*. You can grant Emergency Paid Sick Leave and Emergency FMLA and realize the real time tax credits up to \$511 per day (EPSL) and \$200 per day (EFMLA). These end March 31, 2021.
- If an employee already has taken all of their entitled paid leave, they are no longer eligible for paid leave in 2021.
- If they have used part of it, it looks as if they can use the balance in 2021.



Creating New Tax Agency Accounts

New Tax Agencies

- What causes the need for new accounts and why correct setup is important
- How to create the account
- Steps to report to Dominion Payroll once created



Why do I need this?

- Have you added a new employee in a state you did not have ties to before?
- Have you added a new office location?
- Other business reasons which may cause a location change or addition.



Why the setup is important

- When your account is initially added with us, it is in our system as applied for.
- If we make payments and/or filings with the account as applied for, several issues can occur.
- Payments and returns may not be correctly applied to the tax agency.
- Many agencies require electronic payment and filing, which cannot be done without the tax id. This can result in penalties once the account is setup.
- The faster you register and get the information to us, the better it is for all involved.



Creating the New Account

- We have a link you can utilize to access the agency websites by state for account registration. Most agencies will create the account and provide you the id when you have completed the registration steps.
- <https://dominionpayroll.com/forms>
- If you need assistance with registration or determining if the agency is needed, please reach out to your accountant or possibly attorney.
- Dominion Payroll employees cannot assist in setting these accounts up on your behalf or advise you to determine if you need them.



Steps After the Account is Created

- The best way to send us the information is to send us something from the agency directly. A screenshot, email, or any document they provided are examples.
- If this is not available, send the name of the agency and the ID number.
- The information should be emailed to us at tax@dominionpayroll.com.
- Please add the following subject line to ensure quick setup: New Tax Agency



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





Don't forget to wash your hands!

