

## Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

We know that our clients are very eager for information relating to the recently passed CARES Act. There is much being released as varying organizations attempt to digest the entire 880 pages of this legislation. At Fringe Benefit Analysts, our intention is to break down the areas that relate to your benefit plans, employee compensation, retention of employees and most importantly the ability of your business to survive in these very difficult times.

Here are areas I feel are most important to note:

### Qualified High Deductible Health Plans

- FSA and HSA accounts will be allowed to reimburse for over-the-counter medications without a prescription.
- Telehealth services can be provided pre-deductible.
- Menstrual care products can be reimbursed by an FSA or HSA.
- IF your health carrier elects to suspend your deductible and cost sharing responsibility, the IRS will suspend the HSA deductibility provisions.

### Retirement Plans

- Participants in qualified plans such as 401(k), profit sharing and IRAs will be allowed to withdraw up to \$100,000 in coronavirus related distributions penalty free, assuming the plan sponsor will grant permission. Tax payments on the distributions can be deferred for up to three years and the participant also has these three years to replace the money without incurring a tax bill at all.
- Required minimum distributions can be suspended for 2020.
- The maximum loan amount for qualified plans will increase to \$100,000 and loan due dates can be extended a year.

### Payment Protection Program (PPP)

- Businesses with 500 or fewer employees (including part time) may apply for short term assistance to make payroll (limited to salaries \$100,000 and under), pay mortgage interest, rent, utilities, debt on loans incurred prior or *health insurance premiums*.
- Loans must be applied for and paid out by June 30, 2020. They are managed by the U.S. Small Business Administration (SBA).
- For businesses who retain their employees and pay them at least 75% of their prior year compensation, the Principal amount for the first 8 weeks is forgiven. Remaining Principal amounts following the initial period may be deferred for payment for at least 6 months, but no longer than a year.
- Loans are limited to 250% of the company's prior 12-month average payroll cost, limited to \$10 million.

- Interest is limited to 4% and the loan term to 10 years
- Employers who do not participate in the PPP may delay social security tax payments after March 27 through year end. 50% will be due 12/31/21 and the remainder 12/31/22

#### **Economic Injury Disaster Loans**

- This is not a new program, just one that has been opened due to the pandemic
- Similar to PPP, administered by the SBA
- Borrowers can receive \$10,000 in emergency cash that can be forgiven if spent on paid leave, payroll, mortgage or health insurance
- Loans up to \$2 million can be applied for, but amounts smaller than \$200,000 can be approved without personal guarantee
- Loan term is 30 years and interest rate 3.75%

#### **Employee Retention Tax Credit**

- Cannot be combined with the PPP
- Businesses are eligible if a COVID-19 order forced them to suspend operations or they can show a 50% reduction in cash receipts from the prior year
- Employers with 100 or fewer employees are eligible for a credit of 50% of wages up to \$5,000 per employee, for all employees
- Employers with more than 100 employees may take a credit for every worker furloughed but wages continued

#### **Expansion of Unemployment Benefits**

- Employees will still apply to their state unemployment offices to receive benefits
- Program will provide up to 13 weeks of additional unemployment compensation up to \$600 per week
- To qualify, workers must be displaced and unable to work due to a reason related to COVID-19 including caring for a family member who has the disease, or being the primary caregiver for children unable to attend school
- Employers will not have charges against their accounts for these additional benefits

As you can see, I am trying to provide information in an easy to follow format without a great deal of detail. If you have any specific questions on the particulars, please send them my way.

A handwritten signature in black ink, appearing to read "Ernie Sweat".

Ernie Sweat, CEBS