

COVID-19 RESPONSE

CARES ACT EMPLOYEE RETENTION/ DELAY OF PAYROLL

EMPLOYEE RETENTION The Cares Act grants eligible employers, including certain nonprofits, a refundable credit against employment taxes equal to 50% of qualifying wages paid to employees who are not working due to employer's full or partial suspension of business due to a government order or a significant decline in gross receipts. The credit is limited to \$10,000 per employee for qualifying wages paid after March 12, 2020 and before January 1, 2021. Special rules apply where qualifying wages are taken into account under other provisions of the Internal Revenue Code and The Act to avoid obtaining a double tax benefit.

For business that have more than 100 employees, qualifying wages are limited to wages that were paid by the employer to any employee not providing services during the quarter for the period of time the business was shut down. For business that have less than 100 employees, qualifying wages include (i) wages that were paid by the employer during a shut down or (ii) wages paid for each quarter that the business suffered a significant decline in gross receipts.

A significant decline in gross receipts takes place during any quarter where gross receipts for that quarter are less than 50% for the same quarter in the prior year and continue until gross receipts exceed 80% of gross receipts for the same calendar quarter in the prior year. The testing date begins with the first calendar quarter of 2020.

If the employer receives a Paycheck Protection Program loan, as added by this Act, such employer is not eligible for this credit.

DELAY OF PAYROLL TAXES The Act allows employers to defer 100% of the employer portion of social security taxes and self-employed individuals to defer 50% of their self-employment taxes. This deferral applies to payroll taxes due for the period beginning on the date the Cares Act is signed into law and ending on December 31, 2020. Half of the deferred payroll taxes are due on December 31, 2021 with the other half due on December 31, 2022.

The payroll tax deferral is not permitted for those taxpayers that have a loan forgiven under the Paycheck Protection Program loan-loan forgiveness program, as added by this Act.

April 13, 2020