

COVID-19 Employer Advisory Session

CARES ACT Top Ten: Your FAQs Answered



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DISCUSSION TOPICS

Support for
Businesses

Paycheck
Protection
Program

Support for
Individuals

Benefit Plan
Changes

Market
Response

Support for Businesses

1. What loans are available to me and when can I get them?

SBA Debt Relief

7(a) program with loans up to \$5 million for eligible U.S. small businesses for investment in business

SBA to pay the principal and interest on new 7(a) loans issued prior to September 27, 2020 and on existing 7(a) loans for 6 months

Assistance for Mid-Sized Businesses

U.S. Businesses with 500-10,000 employees providing annual interest cap of 2% and deferral of principal and interest for 6 months

To be available to lenders by the Secretary of the Treasury

Direct Loans for Transportation and Critical Operations

\$454 billion to U.S. businesses critical to cargo, air carriers, and businesses necessary to maintain national security

Must forgo repurchase of equity security on a national exchange and payment of dividend within 12 months of end of the loan

Economic Injury Disaster Loans and Loan Advance (EIDL)

\$10 billion in grants for U.S. businesses to pay for immediate expenses

Currently available online
Up to a million small businesses eligible for immediate \$10,000 in cash with no payback

Paycheck Protection Program

\$349 billion available to U.S. for-profit, 501(c)(3), and 501(c)(19) businesses with fewer than 500 employees

Available 4/3- 6/30/20
April 3= small businesses & sole props
April 10=self-employed and independent contractors

Support for Businesses

2. What other payroll credits can businesses get and when?

Employee Retention Credit for Employers Subject to Closure due to COVID-19

- Available to all sized businesses whose (1) operations were fully or partially suspended or (2) gross receipts declined by more than 50% since prior year
- Credit for 50% of first \$10,000 of wages per employee in a calendar year
- If more than 100 full-time employees, must be shutdown to qualify.
- If less than 100 employees, can be whether open or shut-down

Delay of Employer Payroll Taxes

- Employers and self-employed may defer taxes through 12/31/20
- Applies to Social Security tax (6.2%) but not Medicare tax
- Delayed taxes must be paid back:
 - 50% of delayed taxes are due by 12/31/21
 - 50% of delayed taxes are due by 12/31/22

Paycheck Protection Program

3. How do you calculate the max. loan coverage? How does the \$100,000 cap on wages work?

Maximum Loan

The lesser of:

2.5 x of 2019 average monthly payroll costs incurred one-year prior to the date loan is made

Or

\$10,000,000

Payroll costs = (add together)

- Salary, wages, commissions, or similar compensation;
- Cash tips or equivalents;
- Payment for vacation, parental, family, medical, or sick leave;
- Allowance for dismissal or separation;
- Payment required for provision of group health care benefits, including insurance premiums;
- Payment of any retirement benefit;, or
- Payment of State or local tax assessed on compensation of employees

\$100,000 annual=\$8333.33 mo.

Compensation example:

- Total wages are \$48,000
- Employee A earns \$10,000
- Employee B earns \$15,000
- All others earn < \$8333.33

Total compensation to include in payroll costs =

\$23,000 (all employees <\$100k)
\$8333.33 – Employee A
+\$8333.33 – Employee B
\$39,666.66 – Total Comp Claimed
\$99,166.65 – Maximum Loan (2.5x)

Paycheck Protection Program

4. What actions will affect my loan forgiveness?

Loan Forgiveness

- Provides waiver of payback for amounts used during the covered period *[covered period is 8 weeks beginning on origination date of the loan]*

Forgiveness limited by ratio of:

$\frac{\text{Avg. \# FTEs/mo for 8 week post loan}}{\text{Avg. \# FTEs/mo for 2/15/19-6/30/19 or 1/1/20-2-29/20}}$

EXAMPLE:

$\frac{\text{Avg. FTE/mo. (2020) = 280}}{\text{Avg. FTE/mo. (2019) = 350}}$ } 80%

Payroll reimbursed by FFCRA cannot be included in loan amount

Reductions occurring between 2/15/2020 and 4/26/2020 will not count if rehired by June 30, 2020

Delayed insurance premium payments due to extended grace period are not included unless actually paid within the 8-week period

Support for Individuals

5. Is it better to layoff or furlough my employees and let them collect unemployment?

Pandemic Emergency Unemployment Compensation

Allows States to enter into an agreement with the DOL to provide additional unemployment compensation up to 13 additional weeks for those individuals who:

- have exhausted all rights to regular compensation under the State law or under Federal law with respect to a benefit year (excluding any benefit year that ended before July 1, 2019);
- have no rights to regular compensation with respect to a week under such law or any other State unemployment compensation law or to compensation under any other Federal law;
- are not receiving compensation with respect to such week under the unemployment compensation law of Canada; and
- are able to work, available to work, and actively seeking work.

Emergency Increase in Unemployment Compensation Benefits

Provides options for States to enter into agreement with the DOL to provide an additional \$600 per week to otherwise eligible unemployment compensation recipients and will apply to weeks of unemployment from the date the State enters into the agreement with the DOL and July 31, 2020

Support for Individuals

6. When will I get my rebate/stimulus check and how much will it be?

Recovery Rebates

- \$1,200 per adults (\$2,400 married filing jointly) plus \$500 for each child for individuals with adjusted gross income up to \$75,000 per taxpayer, \$112,500 for head of household, or \$150,000 for married filing jointly
- Incomes over these thresholds are reduced by 5% creating prorated refunds to those with incomes between \$75,000 and \$99,000 per taxpayer, \$112,500 and \$146,000, and \$150,000 and \$198,000 for married filing jointly
- Credits are not available for taxpayers with income over \$99,000, \$146,000 for head of household, or \$150,000 for married filing jointly

Check delivery:

- Direct deposits will be made into the accounts of known individuals within three weeks,
- Online sign-up for all those for whom IRS does not have direct deposit information
- Individuals who have not filed taxes because they don't owe taxes will create a 2019 tax form for the purposes of generating the rebate

Benefit Plan Changes

7. Will using telehealth services still cause prohibit me from contributing to my HSA?

HSA Provision	Traditional Rule	CARES Act Modification
Cannot receive benefits prior to the satisfaction of the deductible, except for preventive care	Any first dollar coverage, other than preventive care, causes a failure and prohibits individuals from making any contributions to the HSA	Allows HDHPs with HSAs to cover COVID-19 tests and treatment paid prior to the deductible without causing HSA prohibition on contributions
Prohibited from having any other group health plan	Telehealth is considered a group health plan since it is substantial medical treatment. Telehealth services typically violate HSA rules and prohibit contributions to the HSA	Allows HDHPs with HSAs to cover telehealth services for patients, prior to the deductible, without disqualifying the HAS --- applies to plan years on or before December 31, 2021

Benefit Plan Changes

8. When can I start claiming my over-the-counter medical expenses again?

Beginning with expenses incurred on or after January 1, 2020, over-the-counter drugs and menstrual care products are qualified medical expenses under FSA, MSA, or HSA without a prescription

Market Response to the CARES Act

9. What mid-year plan changes are the carriers allowing?

Eligibility

- Medical open enrollments
- Dependent care accounts
- FSA

Premium Grace Periods

- Delaying premiums
- Effect on claim payments

COBRA/Continuation

- Furloughs
- Reduction in hours

Market Response to the CARES Act

10. When can I allow my employees to make a mid-year change?

Cafeteria Plan Consideration

Change in status rules – must satisfy one of the optional change in status rules

Must have elected specific change reason in plan document

FSA – no mid-year plan change allowed unless it effects eligibility

DCAP – may change when cost of care changes

Call to Action

Key Takeaways

Understand and prioritize key loan and relief programs

For < 500, focus on PPP and EIDL: APPLY ASAP

For >500, watch for Mid-Market Loan Program details

Understand and Prepare for 8 week Loan Forgiveness

Work with your consultant on allowable benefit changes