

**March 20, 2020**

**Major legislation has occurred on a Federal and State level the past 24 hours. Below is summarized information on recently passed legislation. Things are changing by the hour so please contact your Blystone & Bailey CPA today for additional information.**

**State provides guidance to employers contemplating potential layoffs**

**If you are considering laying your employees off please contact us to discuss the ins and outs of how it all works.**

**Work Share**

If employers are financially distressed but hope to continue operations by cutting back hours, they are encouraged to use the Unemployment Insurance Agency's Work Share Program that allows employers to maintain employment levels and business operation during declines in regular business activity rather than laying off workers. For more information go to [www.michigan.gov/workshare](http://www.michigan.gov/workshare).

**Temporary Leave vs Termination**

Employers are strongly urged to place employees on temporary leave and advise the worker that they expect to have work available within 120 days as opposed to termination. There is no additional cost to employers, employees remain eligible for unemployment benefits through the state and may remain eligible for potential federal assistance.

There are specific steps to follow which we can provide upon request.

Under the governor's order, an employer or employing unit must not be charged for unemployment benefits if their employees become unemployed because of an executive order requiring them to close or limit operations.

**Michigan Declared Disaster State for SBA Loans**

The U. S. Small Business Administration (SBA) provides low-interest, long-term disaster loans to businesses of all sizes, private non-profit organizations, homeowners, and renters to repair or replace uninsured/underinsured disaster damaged property. SBA disaster loans offer an affordable way for individuals and businesses to recover from declared disasters.



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

If you have suffered substantial economic injury and are one of the following types of businesses located in a [declared disaster area](#), you may be eligible for an SBA Economic Injury Disaster Loan (EIDL):

- Small Business
- Small agricultural cooperative
- Most private nonprofit organizations

### ***Loan Amounts and Use***

Substantial economic injury means the business is unable to meet its obligations and to pay its ordinary and necessary operating expenses. EIDLs provide the necessary working capital to help small businesses survive until normal operations resume after a disaster.

The SBA can provide up to \$2 million to help meet financial obligations and operating expenses that could have been met had the disaster not occurred. Your loan amount will be based on your actual economic injury and your company's financial needs, regardless of whether the business suffered any property damage.

### ***Eligibility and Terms***

The interest rate on EIDLs will not exceed 4 percent per year. The term of these loans will not exceed 30 years. The repayment term will be determined by your ability to repay the loan.

EIDL assistance is available only to small businesses when SBA determines they are unable to obtain credit elsewhere.

A business may qualify for both an EIDL and a physical disaster loan. The maximum combined loan amount is \$2 million.

### ***How to Apply***

You can [apply online for an SBA disaster assistance loan](#).

<https://disasterloan.sba.gov/ela/LoanApplication/StartApplication>

You must submit the completed loan application and a signed and dated [IRS Form 4506-T](#), [https://disasterloan.sba.gov/ela/Documents/Request%20for%20Transcript%20of%20Tax%20Return%20\(IRS%20Form%204506T\).aspx?ff=true&sp=1](https://disasterloan.sba.gov/ela/Documents/Request%20for%20Transcript%20of%20Tax%20Return%20(IRS%20Form%204506T).aspx?ff=true&sp=1), giving permission for the IRS to provide SBA your tax return information.

For additional information, please contact the SBA disaster assistance customer service center. Call 1-800-659-2955 (TTY: 1-800-877-8339) or e-mail [disastercustomerservice@sba.gov](mailto:disastercustomerservice@sba.gov).



## **Coronavirus Relief Bill Signed by the President late Wednesday Night**

Several arms of the federal government have taken, or are weighing, significant steps to help the country deal with the spread of the coronavirus (COVID-19) and the implications for individuals and businesses. See below for details.

### **Expanded family and medical leave**

The act amends the Family and Medical Leave Act (FMLA) for employees who 1) work for employers with 50 or more employees, and 2) have been on the job at least 30 days. Under the bill, these employees (including those who work under a multiemployer collective agreement and whose employers pay into a multiemployer plan) will have the right to take up to 12 weeks of job-protected leave.

Under the expanded family and medical leave act the first 2 weeks can be unpaid or the employee may elect to use any accrued vacation, personal, medical or sick leave. (The first 2 weeks are covered under the paid sick leave provisions discussed below).

After the first 2 weeks an employer shall provide paid leave for each day of leave up to 10 additional weeks at:

An amount that is not less than two-thirds of an employee's regular rate of pay, and

The number of hours the employee would otherwise be normally scheduled to work.

In no even shall such paid leave exceed \$200 per day and \$10,000 in the aggregate.

Note, though, that the bill gives the U.S. Secretary of Labor the power to issue regulations that exempt small businesses with fewer than 50 employees from this expansion if it would jeopardize the viability of the business. Because of this potential exemption and the fact that these provisions don't apply to employers with 500 or more employees, many American workers won't be protected by them.

The act will help employers subject to the provisions by allowing them to take a tax credit against their share of Social Security taxes for 100% of the qualified family leave wages they pay each quarter. The amount of wages taken into account for each employee is capped at \$200 per day and \$10,000 for all calendar quarters. Any excess credit over its Social Security tax liability is refundable to the employer.

No deduction is allowed for the amount of the credit, and no credit is allowed for wages that are subject to the existing Section 45S business tax credit for paid family and medical leave. Employers can elect to not have the credit apply.



The 100% refundable family leave credit also is available for certain self-employed individuals, applicable against income taxes. Self-employed people who would be entitled to paid leave under the expanded FMLA if they were employees of a business are eligible. The qualified leave amount is capped at the lesser of \$200 per day or the average daily self-employment income for the taxable year per day. These individuals can count only those days they're unable to work for reasons covered by the expanded FMLA. The Treasury Department will establish documentation requirements.

### **Emergency paid sick leave**

The act requires employers with fewer than 500 employees to provide two weeks of paid sick leave with no waiting period, at the employee's regular rate.

The employer shall provide to each employee paid sick time if unable to work because of:

1. Covid-19 quarantine or isolation order.
2. Employee is advised to self-quarantine by health care provider due to concerns related to Covid-19.
3. Employee has symptoms of Covid-19 and is seeking diagnosis.

For these 3 reasons the limit the employer has to pay is \$511 per day and \$5,110 in the aggregate.

4. The employee is caring for someone subject to 1 or 2 above.
5. The employee is caring for a son or daughter of such employee if school or the place of care has been closed or unavailable due to Covid-19.
6. The employee is experiencing any other substantially similar condition specified by the Secretary of Health and Human Services in consultation with the Secretary of the Treasury and the Secretary of Labor.

For the second 3 reasons the limit the employer has to pay is \$200 per day and \$2,000 in the aggregate.

The number of hours is 80 for full time employees or for part time employees the number of hours equal to what the employee works on average over a 2 week period.



As with expanded family leave, covered employers can claim an elective refundable 100% tax credit for qualified paid sick leave wages, also against Social Security taxes. But the bill makes a distinction between those wages paid for employee who must self-isolate or obtain a diagnosis and those paid for to employees caring for a family member or child. For the former, the amount of wages taken into account per employee is capped at \$511 per day; for the latter, it's capped at \$200 per day. The total number of days taken into account per employee can't exceed the excess of 10 over the total number of days taken into account for all preceding calendar quarters.

Again, any excess credit over their Social Security tax liability is refundable, no deduction is allowed for the amount of the credit and no credit is allowed for wages that are subject to the Section 45S business tax credit.

The self-employed are similarly eligible for the refundable credit at differing amounts — 100% for their personal needs and 67% to care for a family member or child. The amount of wages is capped at \$511 per day or the average daily self-employment income for the taxable year per day.

#### **Extended tax payment deadline**

The Treasury Department and the Internal Revenue Service are providing special payment relief to individuals and businesses in response to the COVID-19 Outbreak. The filing deadline for tax returns remains April 15, 2020. The IRS urges taxpayers who are owed a refund to file as quickly as possible. For those who can't file by the April 15, 2020 deadline, the IRS reminds individual taxpayers that everyone is eligible to request a six-month extension to file their return.

#### **This payment relief includes:**

**Individuals:** Income tax **payment** deadlines for individual returns, with a due date of April 15, 2020, are being automatically extended until July 15, 2020, for up to \$1 million of their 2019 tax due. This payment relief applies to all individual returns, including self-employed individuals, and all entities other than C-Corporations, such as trusts or estates. IRS will automatically provide this relief to taxpayers. Taxpayers do not need to file any additional forms or call the IRS to qualify for this relief.

**Corporations:** For C Corporations, income tax **payment** deadlines are being automatically extended until July 15, 2020, for up to \$10 million of their 2019 tax due.

This relief also includes estimated tax payments for tax year 2020 that are due on April 15, 2020.

Penalties and interest will begin to accrue on any remaining unpaid balances as of July 16, 2020. If you file your tax return or request an extension of time to file by April 15, 2020, you will automatically avoid interest and penalties on the taxes paid by July 15.



The IRS reminds individual taxpayers the easiest and fastest way to request a filing extension is to electronically file Form 4868 through their tax professional, tax software or using the Free File link on IRS.gov. Businesses must file Form 7004.

This relief only applies to federal income tax (including tax on self-employment income) payments otherwise due April 15, 2020, not state tax payments or deposits or payments of any other type of federal tax. State filing and payment deadlines vary and are not always the same as the federal filing deadline. The IRS urges taxpayers to check with their state tax agencies for those details. More information is available at <https://www.taxadmin.org/state-tax-agencies>.

### **Other relief**

On March 13 as part of the national emergency declaration, President Trump waived interest payments on federal student loans “until further notice.” This allows borrowers to pause their payments without penalty.

It remains to be seen whether any relief will be provided regarding the quarterly estimated tax payments made by businesses and self-employed individuals. And, as of this writing, no further information, such as the new deadline, has been provided. An extension isn’t included in the Families First Coronavirus Response Act.

### **HDHP coverage**

The IRS has published new guidance making clear that high-deductible health plans (HDHPs) can pay for COVID-19-related testing and treatment without putting their status at risk. That means individuals with HDHPs that provide such coverage can continue to contribute to their health savings accounts (HSAs) and deduct the contributions on their 2020 tax returns (or make pre-tax contributions their employer-sponsored HSAs).

Health insurance plans generally must satisfy several requirements to qualify as an HDHP. For example, providing nonpreventive health care coverage without a deductible, or with a deductible below the requisite minimum, would forfeit HDHP status. (Vaccinations are considered preventive care.) The IRS is temporarily suspending this rule to avoid administrative delays or other financial disincentives that could impede testing and treating for COVID-19.

