Martin | Hood

Martin Hood LLC
2507 South Neil Street
Champaign, Illinois 61820
Tel: 217.351.2000
Fax: 217.351.7726
www.martinhood.com

COVID-19
Business Tools Available

We recognize that the amount of information makes it difficult to process what tools to use to best assist a business in this time of financial crisis. We have summarized below the highlights of business tools available including how they might interact. Most of these tools are only available if your business employees 500 or less. In addition, there is interaction between all provisions in which the utilization of one precludes or reduces the benefit of the other.

Acronyms:

SBA: Small business administration
FFCRA: Families First Coronavirus Response Act
EPSL: Emergency Paid-Sick Leave Act
EFMLA: Expanded Family Medical Leave Act
CARES Act: Coronavirus Aid, Relieve, and Economic Security Act. Also known as the stimulus package

Loans:

7a loan – CARES Act – This loan is administered by the SBA, but you need to apply through your lender. You will also hear it referenced as the Paycheck Protection Program. It is designed to help you stay afloat due to business slowdowns due to the virus. It allows for a loan of up to 2.5 times your average monthly payroll. Payment on the loan is deferred from 6 months to a year. The primary feature of this loan is that proceeds used to fund payroll and occupancy costs incurred for the 8-weeks following the date of the loan can be forgiven if certain conditions are met for retaining employees and not reducing employee wages more than 25%.

7b loan/grant – CARES Act – This loan is directly administered through the SBA. It is truly just a loan. There is no forgiveness piece. However, the CARES Act is allowing for businesses to get an up to $10,000 advance that does not need to be paid back. The grant is to be used for obligations that cannot be met due to revenue losses (e.g. payroll, rent, etc.). Businesses that receive this advance and receive a 7a loan the grant will reduce the forgiveness amount.

Payroll Related:

Sick leave credit – EFMLA – Beginning 04/01/2020 traditional FMLA has been expanded to cover employees who must leave work to care for a child under the age of 18 due to closure of schools or childcare because of a public health emergency. The first 10 days of leave are unpaid. After that employers must pay their employees a minimum of 2/3 of their regular pay up to a cap of $200/day and maximum of $10,000 in total. Employers who pay employees under this act are be eligible for a credit to recover 100% of the wages and payroll taxes paid based upon noted limits.

Sick leave credit – EPSL – Beginning 04/01/2020 for employees who meet one of six criteria, employers must provide an equivalent of two weeks paid sick leave. The respective caps on the wages paid depend on which of the criteria the employee is taking leave under, either $511/day and $5,110 in total, or $200/day and $2,000 in total. Employers who pay employees under this act can be eligible for a credit to recover 100% of the wages and payroll taxes paid based upon noted limits.

Note: The employer can pay more than the cap, but the credit only applies to the cap amount and they are not required to pay more. Also, qualified health care expenses are also eligible for the credit.

Note: The Illinois Stay-At-Home order does not apply to create a business to qualify for this credit. It is based on the individual employee.

Employee retention credit – CARES Act – Employers that have fully or partially suspended business due to orders from the a government authority due to coronavirus, or employers that have gross receipts for any quarter in 2020 that are less than 50% of the same quarter in the prior year are able to receive a credit equal to 50% of the qualified wages (up to $10,000 of wages per employee for the year) to reduce the employer's portion of FICA taxes. For businesses with 100 or more FTEs, qualified wages are those paid to employees who are not providing services due to a full or partial suspension of the business. For businesses with less than 100 FTEs, all wages paid during the qualifying period are eligible for the credit. The credit can reduce the employment taxes to zero with the excess refundable. *Employers who receive a covered loan under the Small Business Act section 7(a) are not eligible for this credit*

Employer payroll tax payment delay – CARES Act – All employers can defer payment of the employer portion of social security taxes. 50% will be due on 12/31/21 and the remaining amounts will be due on 12/31/22.

Unemployment – Illinois – Some traditional rules apply and the loss of job by an individual must still be involuntary. Emergency rules were adopted and if the loss of job was due to COVID-19 Illinois is now waiving the one-week waiting period for unemployment and individuals do not have to register with unemployment service. In addition, the actively looking for work requirement is met by being ready, able, and willing to return to their previous position as soon as the business re-opens.

Unemployment – CARES Act –Individuals will receive up to $600 in additional unemployment benefits per week. This will be handled through the individual state unemployment programs but funded federally. States must elect into this coverage. In addition, those eligible for unemployment has expanded for a variety of reasons. One of the most significant, is the addition of self-employed individuals to those eligible for unemployment. In addition, the act expands unemployment benefits in Illinois from 26 weeks to 39 weeks.

Tax provisions:

- Corporations can claim up to 25% of taxable income for charitable giving (up from 10%). Contributions exceeding these limits can be carried forward. The taxpayer must make an election with the tax return to increase the limits.
- Net operating losses (NOLs) for corporations, pass-through entities, and individuals can carried back for a five-year period if arising in 2018, 2019, or 2020. Returns dating back to 2013 can be amended to take advantage of the carryback. NOLs arising in 2020 will not be subject to the 80% of taxable income limitation.
- Allows that qualified improvement property as 15-year property, eligible for 100% bonus depreciation. The correction is effective for property placed into service after September 27, 2017
- Taxpayers subject to 163(j) can increase the allowable business interest expense for tax years 2019 and 2020, as follows:
  - Calculation of the limitation amount is increased to 50% of the taxpayer's adjusted taxable income for 2019 and 2020 (up from 30%)
  - When calculating the limitation for 2020, the taxpayer may elect to use adjusted taxable income for 2019
- The following provisions expand the ability to utilize losses for partnerships, S corporations, and sole proprietors:
  - Excess farm losses – Removes the limitation of utilization of excess farm losses for entities receiving subsidy payments for tax years after 2017
  - Excess business losses – Removes the limitation of utilization of excess business losses for tax years before 2021. Previously, all excess business losses were disallowed (as defined below). Following the Act, losses can be taken to reduce taxable income to zero. If additional losses exist, they are carried forward under the Act.