

# Assistance with Paid Leave and Payroll Expenses During the Coronavirus Pandemic

April 2, 2020

## Paid Leave

**The Families First Coronavirus Relief Act (FFCRA)** took effect April 1st. The FFCRA creates a federal paid sick leave requirement for coronavirus-related needs and expands the Family and Medical Leave Act to include a paid leave component for small business employees caring for children whose schools or child care facilities were closed because of the virus outbreak. For more information visit: <https://www.dol.gov/agencies/whd/pandemic/ffcra-employee-paid-leave>

## Assistance with Payroll Expenses

**The Coronavirus Aid, Relief and Economic Security Act** (the "CARES Act") establishes new programs to assist employers that have suffered business hardships from the effects of the coronavirus pandemic. For more information visit: <https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>

**There are three new ways that you can now get assistance with payroll expenses during this crisis:**

**1. Small Business Administration (SBA) Paycheck Protection Loan Program:** The biggest change is a new streamlined SBA loan program to provide eligible businesses with cash to meet payroll (including benefits) and other fixed costs (such as rent, interest on mortgages, and utility payments) for up to eight weeks.

**Eligible businesses:** This program is for any small business with less than 500 employees (including sole proprietorships, independent contractors and self-employed persons), private non-profit organization or 501(c)(19) veterans organizations affected by coronavirus/COVID-19.

**Maximum loan amount:** The maximum loan amount would be 250% of the employer's average monthly payroll costs, capped at \$10 million. Additionally, after the borrowing business demonstrates that the loan proceeds were actually used to maintain previous payroll or pay those other fixed costs, then the loans (and any interest due) would be eligible for very generous loan forgiveness (and the forgiven amounts would not be taxable).

For more information visit: <https://www.sba.gov/funding-programs/loans/paycheck-protection-program-ppp>.

**2. 50% Employee Retention Tax Credit:** Another option allows employers (regardless of size) that are uniquely affected by COVID-19 to claim a refundable tax credit against the employer portion of payroll tax equal to 50% of certain wages paid to an employee from March 13, 2020 through the end of the year. This 50% credit would be available to businesses that have:

- (i) that have had their operations fully or partially suspended by government order due to COVID-19 or
- (ii) that experienced a 50% decline in gross receipts during a 2020 calendar quarter when compared with the same quarter in 2019. For more information visit: <https://www.irs.gov/newsroom/covid-19-related-tax-credits-for-required-paid-leave-provided-by-small-and-midsize-businesses-faqs>

**3. Social Security Tax Deferral:** Another provision that is available to employers of all sizes is the ability to defer the payment of the employer portion of Social Security taxes (6.2% of wages) for the remainder of 2020. 50% of those deferred taxes would have to be repaid by the end of 2021, with the remainder due by the end of 2022. For more information visit: <https://home.treasury.gov/news/press-releases/sm948>

**PLEASE NOTE:** You Can't Choose All of the Above Each of these new alternatives provide very generous tax subsidies to assist employers. But you'll still need to make choices.

- If you obtain one of the new SBA loans, you are not eligible for the 50% employee retention tax credit.
- If you have a new SBA loan forgiven, you cannot take advantage of the Social Security tax deferral.
- If you claim the 50% employee retention credit, you will no longer be eligible for an SBA loan.
- If you take advantage of the Social Security tax deferral, you will no longer be eligible to have your SBA loan forgiven.

It is critical that you carefully evaluate your eligibility for and the benefits of each of these options, since the amount of assistance provided by the federal government could vary greatly depending on your specific situation.

NHPCO will continue to evaluate the recent legislation and the options for funding and will update providers in the daily Update or in the members-only area of the NHPCO website.