

# FEDERAL SUMMARY

## *For Employers*

### **COVID 1: Coronavirus Preparedness and Response Supplemental Appropriations Act Employer Fact Sheet**

- This was an \$8 billion Act to provide disease detection, protection, and treatment funding.
- Allows \$1 billion in loan subsidies to be made available to help small businesses, small agricultural cooperatives, small aquaculture producers, and nonprofit organizations which have been impacted by financial losses as a result of the coronavirus outbreak. This funding could enable the Small Business Administration (SBA) to provide an estimated \$7 billion in loans to these entities. In addition, provides \$20 million to administer these loans.
  - These **Economic Injury Disaster Loans (EIDL)** of up to \$2m. may be used to pay fixed debts, payroll, accounts payable and other bills that can't be paid because of the disaster's impact. The interest rate is 3.75% for small businesses. The interest rate for non-profits is 2.75%.
  - Iowa applied and was approved a disaster area.
  - SBA offers loans with long-term repayments in order to keep payments affordable, up to a maximum of 30 years. Terms are determined on a case-by-case basis, based upon each borrower's ability to repay.
  - To apply for these loans, click here <https://disasterloan.sba.gov>
  - [See Covid 3 CARES summary for expanded information on these loans](#)

### **COVID 2: Families First Coronavirus Response Act (FFCRA) Employer Fact Sheet**

On March 18, 2020, President Donald Trump signed the **Families First Coronavirus Response Act (FFCRA)** in response to the spread of the novel coronavirus and the illness it causes, COVID-19.

#### **Unemployment Insurance & Paid Sick Leave**

(1) Requires employers to provide 12 weeks of protected leave for an extended work absence related to the novel coronavirus. First two weeks unpaid (covered by emergency paid sick leave), remaining 10 weeks must be paid at no less than 2/3 salary (up to \$200 per day and no more than \$10,000 total per leave period). Applies to employers with 500 employees or less. Businesses with less than 50 employees may apply for a hardship exemption.

(2) Mandatory 2-week (80-hour) paid sick leave at full pay (up to \$511 per day or \$5,110 total) for any work absence related to the novel coronavirus. Up to \$200 per day (\$2,000 total) to care for a sick family member. Applies to employers with 500 employees or less. Businesses with less than 50 employees may apply for a hardship exemption paid sick leave for childcare and other leave related to the coronavirus; and (3) provides for tax credits related to the paid leave provisions created by the act.

(3) Payroll tax credit for employers (\$100 billion). Reimburse employers for the costs of the paid leave provisions with a refundable payroll tax credit applied against quarterly estimated taxes due.

Both new laws apply only to certain covered employers (private employers with fewer than 500 employees, governmental agencies, and schools). These employers need to be ready to provide these leaves starting on April 1, 2020.

# COVID 3: Coronavirus Aid, Relief, and Economic Security Act (CARES)

## Employer Fact Sheet

### Unemployment Insurance

The CARES Act makes a couple of changes to the paid leave provisions in the Families First Coronavirus Response Act (FFCRA), which was enacted on March 18, 2020.

- First, employees who are laid off after March 1, 2020, and then subsequently rehired are entitled to the emergency family leave and sick leave provisions as provided by the FFCRA.
- States will have to enter into specific agreements with the U.S. Department of Labor in order to take advantage of many of the increased benefits provided by the CARES Act. These benefits include:
- A temporary Pandemic Unemployment Assistance (PUA) program through December 31, 2020, to provide payment to workers who are not traditionally eligible for UI, such as the self-employed or independent contractors (including so-called gig economy workers), who are unable to work as a direct result of the coronavirus public health emergency.
- An additional emergency increase of \$600 per week payment—termed by the legislation as “Federal Pandemic Unemployment Compensation”—to each recipient of UI or PUA for up to 4 months.
- An additional 13 weeks of unemployment benefits through December 31, 2020. (Will be 13 weeks only for those not traditionally eligible). State UI is 26 weeks.
- 100 percent funding of “short-time compensation” programs through December 31, 2020, where employers reduce employee hours instead of laying off workers and the employees with reduced hours receive a prorated unemployment benefit. In Iowa, this is Voluntary Shared Worker Program and we should be promoting this.
- Nonprofits, government agencies and Indian tribes will be reimbursed for half of the costs they incurred related to unemployment.

### Financial Assistance

#### 1. Small Business Administration (SBA) “Paycheck Protection Program”

- **ABOUT** This \$349 billion lending program is intended to help keep small businesses running and to keep their workers employed. It is modeled after the existing SBA 7(a) program but the loans are up to 100 percent guaranteed, as opposed to 75 percent. SBA certified lenders or those designated would be able to make the loans. To participate, you must contact a lender.
- **ELIGIBILITY** The program generally covers:
  - businesses and nonprofits with fewer than 500 employees;
  - hospitality businesses with fewer than 500 employees at each location;
  - Sole-proprietors, independent contractors, and self-employed individuals.
- **LOAN FORGIVENESS** This program provides loan forgiveness equal to the amount spent on payroll (capped at \$100,000 in wages), rent, mortgage interest, and utilities for eight weeks beginning on the origination date of the loan. The loan forgiveness provisions will be reduced in proportion to any reduction in employees and to a reduction in employees’ pay of greater than 25 percent.
- **TIMING:**
  - The provisions are retroactive to February 15, 2020, and cover loans from that date to June 30, 2020. The retroactivity provision is intended to encourage rehiring.
  - The SBA will be required to issue implementing regulations within 15 days of the law’s enactment.

## 2. Small Business Grants & Loans (EIDL loans)

- Expands provisions for existing EIDL loans by:
  - Borrowers can receive \$10,000 in an emergency grant cash advance within three days of applying for the loan that can be forgiven if spent on paid leave, maintaining payroll, increased costs due to supply chain disruption, mortgage or lease payments or repaying obligations that cannot be met due to revenue loss.
  - Expands eligibility for access to EIDLs to include Tribal businesses, cooperatives, and ESOPs with fewer than 500 employees or any individual operating as a sole proprietor or an independent contractor during the covered period (January 31, 2020 to December 31, 2020). Private non-profits are also eligible for both grants and EIDLs.
  - The advance of \$10,000 does not need to be repaid, even if the grantee is subsequently denied an EIDL. It may be used to provide paid sick leave to employees, maintain payroll, meet increased production costs due to supply chain disruptions, or pay business obligations, including debts, rent and mortgage payments. Eligible grant recipients must have been in operation on January 31, 2020. The grant is available to small businesses, private nonprofits, sole proprietors and independent contractors, tribal businesses, as well as cooperatives and employee-owned businesses.
- EIDLs are loans of up to \$2 million that carry interest rates up to 3.75% for companies and up to 2.75% for nonprofits, as well as principal and interest deferment for up to 4 years. The loans may be used for expenses that could have been met had the disaster not occurred, including payroll and other operating expenses.
- ***A business that receives an EIDL between January 31, 2020 and June 30, 2020, as a result of a COVID-19 disaster declaration, is eligible to apply for a PPP loan, or the business may refinance their EIDL into a PPP loan. In either case, the emergency EIDL grant award of up to \$10,000 would be subtracted from the amount forgiven in the payroll protection plan.***
- The bill provides \$562 million to ensure that SBA has the resources to provide Economic Injury Disaster Loans (EIDL) to businesses that need financial support.

## Business Tax Benefits

- **RETENTION CREDIT** In certain circumstances, the CARES Act provides a payroll tax credit for 50 percent of wages paid by employers to employees, up to \$10,000 per employee.
  - A fully refundable credit against the employer's 6.2% share of Social Security taxes for businesses that are, (a) forced to close their operations, or (b) remained open, but during any quarter in 2020, gross receipts were less than 50% of what they were for the same quarter in 2019.
  - The tax credit is equal to 50% of qualified wages paid to each employee for the quarter, up to \$10,000 per employee.
  - For employers with less than 100 employees, qualified wages include any wages paid during the time business was closed or during which gross receipts declined more than 50% as compared to the same quarter of the previous year. For employers with more than 100 employees, qualified wages only include those that are paid during the time business was closed.
- **PAYROLL TAX DELAY** Employers are permitted to defer the payment of their share of the Social Security tax—half of the share owed by December 31, 2021, and the other half by December 31, 2022. A similar deferral is available for self-employed individuals
- **NET OPERATING LOSS PROVISIONS** Losses from 2018, 2019, and 2020 can be carried back five years and applied against taxes in those years.

- Under the current law, taxpayers are only allowed to carry forward NOLs. This change may create a permanent tax benefit for taxpayers who carry back their NOLs to pre-TCJA, higher tax rate years.
- Taxpayers will temporarily be able to offset 100% of taxable income with NOLs, as opposed to 80% of taxable income under the current law.
- **EXCESS BUSINESS LOSS LIMITATION** Temporary suspension of excess business loss limitations for individuals under IRC Section 461(l) for tax years 2018, 2019, 2020. As a result, taxpayers who were subject to excess business loss limitations on already filed tax returns for 2018 and 2019 may be able to file amended tax returns and claim refunds.
- **CHANGES TO INTEREST EXPENSE LIMITATIONS** Taxpayers subject to interest expense limitations under IRC Section 163(j) will be able to deduct interest expense of up to 50% of their EBITDA, a change from the current limitation of 30%. This change will be applicable for 2019 and 2020 for most taxpayers.
  - Partnerships will be able to utilize 50% of EBITDA limitation for 2020 only. However, partners will be able to deduct 50% of the disallowed interest expense in 2020, irrespective of other limitation rules.
  - Because many taxpayers will not have taxable income in 2020, they can elect to use their 2019 EBITDA in computing any interest expense limitation for 2020.
- **QUALIFIED IMPROVEMENT PROPERTY (QIP) TECHNICAL CORRECTION** Tenant improvements made by taxpayers to nonresidential real property will be eligible for a 15-year depreciable life and bonus depreciation, as opposed to the current 39-year life (and no bonus depreciation). These corrections will be effective for any eligible improvements made in 2018 and future years. As a result, taxpayers may be eligible to amend previously filed tax returns to take advantage of additional bonus depreciation on QIP.

## Retirement / Pensions

- The act's retirement-related provisions allow single-employer pension plan companies to delay the due date for any contribution otherwise due during 2020 until January 1, 2021.
- The provisions waive the required minimum distribution rules for certain defined contribution plans and individual retirement accounts (IRAs) for 2020.
- According to the act, there is no withdrawal penalty for distributions of up to \$100,000 from qualified retirement accounts for COVID-19-related purposes.

## Student Debt/Loan Provisions

- Until the end of 2020, an employer can pay \$5,250 toward student debt without it being treated as income.
- U.S. Department of Education has granted a payment waiver of at least 60 days to many people, but it's not necessarily automatic.
- In general, you have to call your loan servicer to request a waiver and to make sure that your loan is eligible. Your servicer will not charge interest during this time, and the waiver is not supposed to hurt your credit score.
- The waiver does not apply to private student loans.

**Other emergency appropriations (\$163 billion).** Grants to support local schools and online learning. Supplemental federal funding for transit systems (sanitation), childcare programs, housing programs, economic development programs, election assistance, and tribal governments

## Individual Rebates

All U.S. residents with adjusted gross incomes of up to \$75,000 (\$150,000 for married couples), who are not a dependent of another taxpayer are eligible for the full \$1,200 (\$2,400 for married couples) rebate. In addition, they are eligible for an additional \$500 per child.

## FAQs

### **Can Businesses take out an EIDL (disaster loan under Covid 1) and apply for the Paycheck Protection Program?**

Yes. If you received an EIDL loan related to COVID-19 between January 31, 2020 and the date at which the PPP becomes available, you would be able to refinance the EIDL into the PPP for loan forgiveness purposes. However, you may not take out an EIDL and a PPP for the same purposes. Remaining portions of the EIDL, for purposes other than those laid out in loan forgiveness terms for a PPP loan, would remain a loan. If you took advantage of an emergency EIDL grant award of up to \$10,000, that amount would be subtracted from the amount forgiven under PPP.

### **My business closed, but an employee is telling me I need to pay sick leave under Families First Coronavirus Response Act (FFCRA)?**

No. That is strictly for eligible leave if work is available to the employee. In this case, work is not available, and they can apply for unemployment.

### **I'm a business owner and my workplace closed. Can I apply for unemployment?**

Yes, but there are two ways:

1. If you pay into unemployment program and you are on the payroll of your company, than yes, you qualify for state unemployment and the CARES Act extensions.
2. If you are a sole proprietor, non profit, or other typically excluded group, you qualify for 13 weeks under the CARES Act.

**Unemployment:** Iowa Workforce Development [www.iowaworkforcedevelopment.gov/COVID-19](http://www.iowaworkforcedevelopment.gov/COVID-19)

**Small Business Helpline** (facilitated by Northeast Iowa Community College)  
563-588-3350 Monday - Friday 8:30 a.m. - 4:00 p.m. or [sbhelpline@nicc.edu](mailto:sbhelpline@nicc.edu)

**More COVID-19 Resources:** [www.greaterdubuque.org/covid19](http://www.greaterdubuque.org/covid19)



Greater Dubuque Development Corporation  
563-557-9049  
[gddc@greaterdubuque.org](mailto:gddc@greaterdubuque.org)  
[www.greaterdubuque.org](http://www.greaterdubuque.org)

