Updates on the CARES Act: The Paycheck Protection Program and More Provisions Employers Need to Know

As federal, state, and local governments scramble to react to the numerous adverse impacts of the novel coronavirus, it remains imperative for both employers and employees to keep up with the latest news. That's why The Olson Group has created a comprehensive, COVID-19 Resource Center.

This resource center is updated daily and will help you understand the coronavirus, related legislation, and the impacts this virus is having on businesses across the globe. Topics covered by this resource hub include remote work, the FFCRA, and the CARES Act.

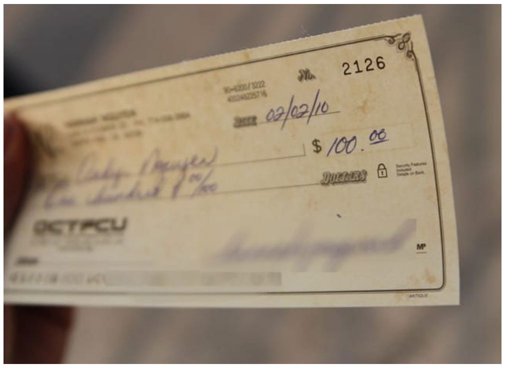
In this article, we'll cover recent updates to the Coronavirus Aid, Relief, and Economic Security (CARES) Act. These updates include a detailing of the Paycheck Protection Program, included in the CARES Act.

So, keep reading to learn all about these updates to the CARES Act and the Paycheck Protection Program in particular.

Paycheck Protection Program

One of the most substantial pieces of the CARES Act, is the Paycheck Protection Program (PPP). This program was implemented to attempt to keep employees connected to their employers during the pandemic, even if a business is temporarily closed.

The Paycheck Protection Program will back $349 billion in loans to businesses with 500 or fewer employees through the Small Business Administration (SBA). These loans will be issued through lenders approved by the SBA, and funds have been available as of Friday, April 3rd.



Below is a breakdown of essential pieces of the Paycheck Protection Program; employers need to know:

1. Funds for (up to) 8 Weeks of Payroll

The Paycheck Protection Program offers small businesses with funds to pay up to 8 weeks of payroll costs, including employee benefits. These funds can also be used to pay interest on mortgages, rent, and utilities.

Learn the 10 Key Provisions You Need to Know from the CARES Act.

2. Federally Backed Loans

As previously mentioned, The CARES Act implements a federal loan program through the SBA for $349 billion. The PPP covers the period beginning February 15th, 2020, and ending on June 30th, 2020 (the Covered Period).

3. Loan Forgiveness if They're Used for Retention

Funds under the PPP, in the form of loans, will be fully forgiven if they're used for payroll costs, interest on mortgages, rent, and utilities. Note, at least 75 percent of the forgiven amount must have been used for payroll. Loan payments will also be deferred for six months. Additionally, no collateral or personal guarantees are required. Similarly, neither the government nor lenders will charge small businesses any fees.

4. Only Certain Businesses May Apply

Businesses with 500 or fewer employees, including non-profits, veterans' organizations, tribal concerns, self-employed individuals, sole proprietorships, and independent contractors, are eligible. Businesses with more than 500 employees are eligible in specific industries.

- Small businesses and sole proprietorships may apply, starting on April 3rd, 2020.
- Independent contractors and self-employed individuals can apply, starting April 10th, 2020.

5. Relaxed Loan Vetting

Lenders, when determining eligibility purposes, must determine if a business was operational on February 15th, 2020 and had employees for whom it paid salaries and payroll taxes, or a paid independent contractor. This process is markedly different from the typical method used to determine loan eligibility.

6. Your Loan Value

During the Covered Period, the maximum loan amount permitted for an eligible Covered Entity is the lesser of $10,000,000 and an amount calculated based on a payroll formula. This formula equals 2.5x the average total monthly payroll cost incurred in the one year before the loan is made.

Additionally, the interest rates for the loan borrowed by a Covered Entity under the PPP may not exceed four percent. Plus, any Paycheck Protection Loan that has a remaining principal balance, after any applicable loan forgiveness, must have a maturity date no later than ten years from the date on which the borrower applied for loan forgiveness.

The SBA will direct lenders to defer all payments (principal, interest, and fees) otherwise due under a Paycheck Protection Loan for a minimum of six months and a maximum of 12 months.

7. Loan Forgiveness

The eight weeks beginning on the date a Paycheck Protection Loan is funded, is known as the Forgiveness Period. During this period, a borrower is eligible for forgiveness and cancellation of indebtedness for up to the full principal amount of the loan. The amount eligible for forgiveness is known as the Total Eligible Forgiveness Amount.

This Total Eligible Forgiveness Amount is equal to the total costs incurred and payments made during the Forgiveness Period for payroll, mortgage interests, rent, and utilities. Note, the loan forgiveness amount available to a borrower is subject to reduction.

Your loan forgiveness may be reduced if you terminate employees or reduce employee salary and wages during the Forgiveness Period. Still, there is relief from this forgiveness reduction if the borrower rehires employees or makes up for wage reductions by June 30, 2020.

Apply for a Paycheck Protection Loan here. And find an approved lender, here.

Retirement Recordkeepers Must Make Decisions

The CARES Act made two significant changes to the ways participants can now utilize their retirement accounts. You can read about these provisions, and how they affect retirement accounts, here. But, to make a longish story short, the CARES Act creates a new form of in-service distribution for participants who've been affected by COVID-19.

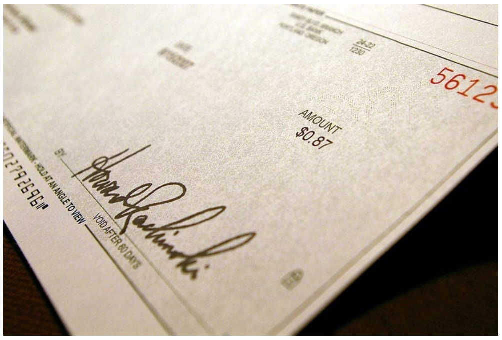
This kind of distribution, a "coronavirus-related distribution" or CRD, is not subject to the 10 percent early distribution penalty under Tax Code Section 72(t). Similarly, these distributions may be repaid to the plan over a three-year period. And, any CRD is taken into ordinary income by the recipient over a three-year period to the extent that it's not repaid. Distributions may not exceed $100,000 per eligible participant.

Still, it's up to recordkeepers to decide whether to make these CRDs available. If not, plan sponsors must affirmatively opt-out of the new CRDs by March 31st, 2020. Plan sponsors should consult with their investment advisors and/or legal counsel in the coming days to

Learn how the CARES Act will impact retirement accounts.

When Will You Get Your Individual Checks?

The CARES Act set up direct payments to individuals making less than $75,000 or families making less than $150,000. You can read about exactly who gets how much here. But the question many Americans still have is, when are they going to see their checks?



Well, when you receive your stimulus check from the CARES Act depends primarily on if you filed taxes in 2019 or 2018. And if you have already set up a direct deposit with the IRS. The House Ways and Means Committee issued a memo this week that laid out a schedule for stimulus check deposits.

According to the memo, check distribution will function on the following schedule:

- Week of April 13, 2020 – 60 million checks will be distributed through direct deposit.
- Week of May 4, 2020 – The IRS will begin sending paper checks.
- Each week thereafter – Approximately 5 million paper checks will be issued each week.

Per the Washington Post, these stimulus checks will first be sent to taxpayers with the lowest income. The tentative schedule for checks, based on income, is as follows:

- April 24th = Less than $10,000
- May 1st = $10,001 – $20,000
- May 15th = $20,001 – $40,000
- The rest of May – September = Checks sent in order from lowest income to highest income based on 2018 or 2019 tax information.
- September 4th = Remaining checks sent.
- September 11th = Checks sent to those who didn't provide information to the IRS.

Other Questions About Stimulus Checks

There are a few other popular questions surrounding stimulus checks for individuals and families provided through the CARES Act. The first is, what will social security recipients have to do to receive their checks? Contrary to initial reports, social security recipients won't have to file a simplified tax return to collect their stimulus check.

Instead, CARES Act payments will be automatically deposited in the bank accounts of social security recipients. The IRS will use the information they have from Form SSA-1099 and Form RRB-1099 to determine a recipient's eligibility for the stimulus check. It will also use these provided details to send payment as a direct deposit or check.

Another popular question is, how can individuals get their stimulus check sooner? The best way to try and expedite your stimulus check, per Forbes, is to file your 2018 or 2019 taxes if you haven't already. If you do file now, which is legal, you can also provide your direct deposit information. Providing your direct deposit information is the best way to ensure you receive your check as quickly as possible.

Provisions Employers Need to Know

In addition to the previously listed provisions, there are several provisions included in the CARES Act that are vital for employers to understand, according to Employee Benefit Adviser.

COVID-19 Testing and Treatment

Group health plans must cover COVID-19 screening and related office visits without cost-sharing. Covered tests may include COVID-19 tests that haven't been approved by the U.S. Food and Drug Administration. Similarly, group health plans must cover, without cost-sharing, qualifying coronavirus preventive services.

These qualifying preventive services are items, services, and immunizations intended to prevent or mitigate COVID-19 that receive an "A" or "B" rating from the U.S. Preventive Services Task Force (USPSTF). Qualifying preventive services also include treatments with a recommendation from the CDC Advisory Committee on Immunization Practices (ACIP). This requirement will apply 15 days after the USPSTF or ACIP makes the recommendation.

Additionally, group health plans providing COVID-19 testing must reimburse the provider in the amount of the negotiated rate, if in effect before the public health emergency began. If not, the must reimburse the provider in an amount that equals the cash price as list by the provider on a public site, or at a negotiated rate with the provider for less than the cash price.

Telehealth

The CARES Act allows high-deductible health plans (HDHPs) with a health savings account (HSA) to cover telemedicine services prior to a patient reaching the deductible. These covered services provided through telehealth don't have to relate to COVID-19. This provision is effective through plan years beginning in 2021.

Over-the-Counter Products Without a Prescription

Another provision in the CARES Act allows account-based health plans, including HSAs, flexible spending accounts (FSAs), and health reimbursement arrangements (HRAs), to reimburse members for the purchase of over-the-counter medical products without a prescription. This provision applies regardless of whether the product is related to the treatment of COVID-19. These changes are effective for amounts paid and expenses incurred after 2019.

DOL Authority to Postpone Deadlines

The CARES Act amends the Employee Retirement Income Security Act (ERISA). This amendment gives the DOL the authority to postpone certain ERISA filing deadlines. It also allows the DOL to provide other relief for up to one year in the case of a public health emergency.

The Wrap

As more updates continue to surface, make sure you continue to check in with The Olson Group. And if you want more resources covering COVID-19 and related legislation, including the CARES Act, check out The Olson Group's COVID-19 Resource Center.

And, if you want to discuss any of the issues with a trained benefits professional, contact The Olson Group today!