

TRONCONI SEGARRA  
& ASSOCIATES<sup>LLP</sup>

Certified Public Accountants  
Business Consultants



**SOLUTIONS BEYOND  
THE OBVIOUS**

# *Understanding COVID-19 Relief Legislation*

COVID-2019  
**CORONAVIRUS**





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# Today's Presenters



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# Agenda

- Federal Government Response
- Small Business Loans and Debt Relief
- Employment Tax Credits
- Business Tax
- Individual Tax
- Unemployment Benefits
- New York State Tax / Financial Relief Measures
- Q&A

# Federal Government Response

March 27, 2020

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

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- Keep American workers employed and paid
- Provide tax assistance to American workers, families and businesses
- Provide economic stabilization and assistance to severely distressed industries

March 18, 2020

## *(2) Families First Coronavirus Response Act (FFRCA)*

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- Emergency Paid Sick Leave
- Emergency Family Medical Leave
- Refundable payroll tax credits to reimburse employers for the cost of providing COVID-19-related leave to their employees

March 6, 2020

## *(1) Coronavirus Preparedness and Response Supplemental Appropriations Act*

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- Authorized the U.S. Small Business Administration to use funds to make Economic Injury Disaster Loans in response to the coronavirus

# CARES Act

\$2 Trillion stimulus and relief package signed by President Trump on March 27, 2020 includes:

- Small business interruption loans
- Relief for individuals, families and businesses
- Assistance to severely distressed sectors of U.S. economy
- Healthcare, education, labor provisions
- State and local aid

# Small Business Loans

## Paycheck Protection Program (PPP)

### Who can apply?

- Small businesses, nonprofits [501(c)(3), (c)(19)], tribal business concerns
  - 500 employees or less (including affiliates) in operation as of 2/15/20
  - Meet applicable size standards based on NAICS
- Affiliate rules waived for following small businesses:
  1. Hotel or food service industry (NAICS code 72)
  2. Franchises in the SBA's franchise directory
  3. Businesses receiving financial assistance from small business investment companies licensed by SBA
- Sole proprietors, independent contractors & eligible self-employed individuals

### How large can my loan be?

- 2.5 times your average monthly "payroll costs" subject to \$10 million cap

### What can I use loan for?

- The loan proceeds are used to cover payroll costs (capped at \$100,000 per employee), most mortgage interest, rent and utility costs over the 8 week period after the loan is made. It is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.

# Paycheck Protection Program (PPP)

## What counts as payroll costs?

Payroll costs include:

- Salary, wages, commissions, or tips (capped at \$100,000 on an annualized basis for each employee);
- Employee benefits including costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit;
- State and local taxes assessed on compensation; and
- For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis for each employee.

## How much of my loan will be forgiven?

- You will owe money when your loan is due if you use the loan amount for anything other than payroll costs, mortgage interest, rent, and utilities payments over the 8 weeks after getting the loan. It is anticipated that not more than 25% of the **forgiven amount** may be for non-payroll costs.

# Paycheck Protection Program (PPP)

## **You will also owe money if you do not maintain your staff and payroll**

### *Number of Staff*

- Your loan forgiveness will be reduced if you decrease your full-time employee headcount (covered period compared to same period in 2019)

### *Level of Payroll*

- Your loan forgiveness will also be reduced if you decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019.

### *Re-Hiring*

- You have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.

## **How can I request loan forgiveness?**

- You can submit a request to the lender that is servicing the loan. The request will include documents that verify the number of full-time equivalent employees and pay rates, as well as the payments on eligible mortgage, lease, and utility obligations.
- You must certify that the documents are true and that you used the forgiveness amount to keep employees and make eligible mortgage interest, rent & utility payments. The lender must make a decision on the forgiveness within 60 days.

# Paycheck Protection Program (PPP)

## For any portion of loan that is not forgiven

- The loan is due in 2 years
- Interest rate: 1%
- All payments are deferred for 6 months; however interest will continue to accrue over this period.

## Do not need to pledge any collateral or personally guarantee the loan

- However, if the proceeds are used for fraudulent purposes, the U.S. government will pursue criminal charges against you.

## How long will this program last?

- Although the program is open until June 30, 2020, we encourage you to apply as quickly as you can because there is a funding cap and lenders need time to process your loan.

## How many loans can I take out under this program? Only one loan

## When can I apply?

- Starting April 3, 2020, small businesses and sole proprietorships can apply through existing SBA lenders.
- Starting April 10, 2020, independent contractors and self-employed individuals can apply through existing SBA lenders.

# Paycheck Protection Program (PPP)

## Where can I apply?

- You can apply through any existing SBA lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating.
- Other regulated lenders will be available to make these loans once they are approved and enrolled in the program. You should consult with your local lender as to whether it is participating. Visit [www.sba.gov](http://www.sba.gov) for a list of SBA lenders.

## What do I need to apply?

- You will need to complete the Paycheck Protection Program [loan application](#) and submit the application with the required documentation to an approved lender that is available to process your application by June 30, 2020.

## What other documents will I need to include in my application?

- You will need to provide your lender with payroll documentation.

# Paycheck Protection Program (PPP)

## What do I need to certify?

- As part of your application, you need to certify in good faith that:
  - Current economic uncertainty makes the loan necessary to support your ongoing operations.
  - The funds will be used to retain workers and maintain payroll or to make mortgage, lease, and utility payments.
  - You have not and will not receive another loan under this program.
  - You will provide to the lender documentation that verifies the number of full-time equivalent employees on payroll and the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight weeks after getting this loan.
  - Loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.
  - All the information you provided in your application and in all supporting documents and forms is true and accurate. Knowingly making a false statement to get a loan under this program is punishable by law.

# Paycheck Protection Program (PPP)

## What are the SBA affiliation rules?

- For purposes of determining the number of employees of an applicant to the Paycheck Protection Program, the applicant is considered together with its affiliates.
  - Concerns and entities are affiliates of each other when one controls or has the power to control the other, or a third party or parties controls or has the power to control both. It does not matter whether control is exercised, so long as the power to control exists.
    1. Affiliation based on ownership
    2. Affiliation arising under stock options, convertible securities, and agreements to merge.
    3. Affiliation based on management.
    4. Affiliation based on identity of interest.

## Religious Exemption

- The relationship of a faith-based organization to another organization is not considered an affiliation with the other organization if the relationship is based on a religious teaching or belief or otherwise constitutes a part of the exercise of religion.

# Economic Injury Disaster Loans (EIDL)

## Who can apply?

- Small businesses, most private nonprofits, tribal business concerns, sole proprietors (with or without employees), independent contractors, cooperatives, or employee-owned businesses in operation on 1/31/20
  - 500 employees or less (including affiliates)
  - Meet applicable size standards based on NAICS
- Same affiliate rules as Paycheck Protection Program
- Eligible businesses must have sustained a “substantial economic injury” from COVID-19 and have a physical location in any U.S. state, the District of Columbia or territories.

## How large can my loan be?

- \$2 Million
- Provides for an emergency advance of up to \$10,000 within 3 days of applying for loan. The advance does not need to be repaid under any circumstance, even if loan application is denied.
- In advance of disbursing the advance payment, the SBA will require that the borrower file a certification, under penalty of perjury, that they are eligible to apply for an EIDL loan.

# Economic Injury Disaster Loans (EIDL)

## What can I use loan for?

- EIDL Loan funds can be used as working capital to pay fixed debts, payroll, accounts payable and other expenses that could have been paid had the disaster not occurred. The loans are not intended to replace lost sales or profits or expansion.

## Loan Terms and Conditions

- Loan term: Up to 30 years (case-by-case basis)
- Interest rate: 3.75% for small businesses; 2.75% for nonprofits
- All payments are deferred through the end of 2020

## Do not need to pledge any collateral or personally guarantee the loan

- Collateral: Required for loans over \$25,000
  - Real estate is acceptable (SBA will not decline loan for lack of collateral, but will require borrower to pledge collateral that is available)
- Personal Guarantee: Required for loan amounts over \$200,000

## Waivers

- Waives requirement that Borrower provide tax returns, the SBA can approve and offer EIDL loans based solely on an applicant's credit score or use an appropriate alternative method for determining the applicant's ability to repay.

# Economic Injury Disaster Loans (EIDL)

## Waivers (continued)

- Waives requirement that Borrower demonstrate it was unable to obtain credit elsewhere
- No cost to apply
- No prepayment penalty

## Can I take advantage of Paycheck Protection Program as well?

- If you receive a COVID19-related EIDL and/or Emergency Grant between January 31, 2020 and June 30, 2020, you can still apply for a PPP loan.
- If you ultimately receive a PPP loan or refinance an EIDL into a PPP loan, any advance amount received under the Emergency Economic Injury Grant Program will be subtracted from the amount forgiven in the PPP.
- You cannot use your EIDL for the same purpose as your PPP loan. For example, if you use your EIDL to cover payroll for certain workers in April, you cannot use PPP for payroll for those same workers in April, although you could use it for payroll in March or for different workers in April.

# Economic Injury Disaster Loans (EIDL)

## Where can I apply?

- Online at <https://covid19relief.sba.gov/#/>
- Paper applications are also accepted, however SBA encourages filing online.
- Deadline to submit your application is December 31, 2020

## What do I need to apply?

- The SBA can approve and offer EIDL loans based solely on an applicant's credit score or use an appropriate alternative method for determining applicant's ability to repay.
  - SBA may require additional tax and financial documentation depending on the loan size and other requirements.

## What documents would I need to submit to prove my business suffered economic injury as a result of COVID-19?

- Establishing economic injury is a comparison between the financial information from the period in the prior year to the injury period of the current year (this period must be associated to the disaster and cannot be attributed to a downturn in local economy or other unrelated issues).

## What happens if a loan request is denied?

- If the loan request is denied, the applicant will be given up to 6 months in which to provide new information and submit a written request for reconsideration.

# Other SBA Loan Programs

## Express Bridge Loan Pilot Program

- Authorizes SBA Express Lenders to provide expedited SBA-guaranteed bridge loan financing on an emergency basis in amounts **up to \$25,000** for COVID-19 disaster-related purposes to small businesses located in communities affected by Presidentially-declared disasters while those small businesses apply for and await long-term financing (including SBA's direct Disaster Loan Program, if eligible).
- Fast turnaround
- Will be repaid in full or part by proceeds from EIDL loan  
<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/sba-express-bridge-loans>

## Express Loans

- Provides loans up to \$350,000 for no more than 7 years with an option to revolve. There is a turnaround time of 36 hours for approval or denial of a completed application. The uses of proceeds are the same as the standard 7(a) loan.

## Other loans programs

- 7(a) loans for various business purchases
- 504 loans used to acquire fixed assets for expansion or modernization
- Microloans used for working capital, inventory, supplies, fixtures, M&E

# Debt Relief

## Small Business Debt Relief

This program will provide immediate relief to small businesses with non-disaster SBA loans, including: 7(a), 504 and microloans.

- The SBA will cover all loan payments on these SBA loans, including principal, interest and fees for six months.
- This relief will also be available to new borrowers who take out loans within six months of the President signing the CARES Act into law.

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/sba-debt-relief>

# Federal Income Tax Filing Due Date

The Treasury Department and Internal Revenue Service announced today that the federal income tax filing due date is automatically extended from **April 15, 2020, to July 15, 2020.**

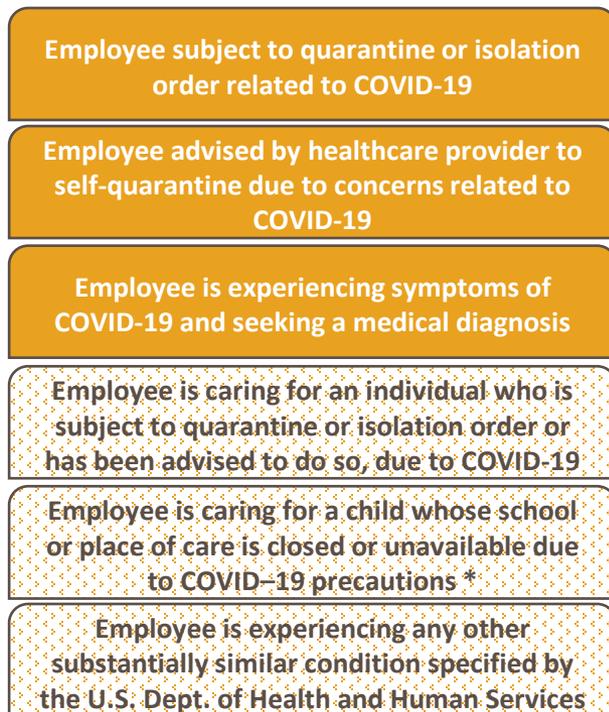
- Taxpayers can also defer federal income tax payments due on April 15, 2020, to July 15, 2020, without penalties and interest, regardless of the amount owed.
- This deferment applies to all taxpayers, including individuals, trusts and estates, corporations and other non-corporate tax filers as well as those who pay self-employment tax.
- Taxpayers do not need to file any additional forms or call the IRS to qualify for this automatic federal tax filing and payment relief.
- The IRS urges taxpayers who are due a refund to file as soon as possible. Most tax refunds are still being issued within 21 days.

IR-2020-58, Tax Day now July 15: *Treasury, IRS extend filing deadline and federal tax payments regardless of amount owed, March 21, 2020*

# Employment Tax Credits

## Paid Sick and Family Leave

- The FFCRA provides refundable credits to an eligible employer to cover the costs of providing emergency paid sick and family leave benefits to qualified employees impacted by COVID-19, from April 1 - December 31, 2020.



### Emergency Paid Sick Leave Act (EPSL)

An employee who is unable to work or telework is entitled to EPSL for up to 2 weeks (up to 80 hours) at the employee's regular rate of pay, up to \$511 per day and \$5,110 max

An employee who is able to work or telework is Entitled to EPSL for up to 2 weeks (up to 80 hours) at 2/3 of the employee's regular rate of pay, up to \$200 per day and \$2,000 max

### Emergency Family & Medical Leave Expansion Act (FMLA +) \*

Under FMLA+, an employee who is unable to work or telework because of a child whose school or place of care is closed or unavailable due to COVID-19, is entitled to be paid up to 2/3 of the employee's regular pay, up to \$200 per day and \$10,000 max

\* The EPSL Act provides for an initial 2 weeks of paid leave. This period thus covers the first 10 workdays of FMLA+ which are otherwise unpaid under the Emergency and Family Medical Leave Expansion Act unless you elect to use existing vacation, personal, or medical or sick leave under your employer's policy. After the first 10 workdays have elapsed, you will receive 2/3 of your regular rate of pay for the hours you would have been scheduled to work in the subsequent 10 weeks under FMLA+

## Paid Sick and Family Leave

- Eligible Employers are businesses and tax-exempt organizations that:
  1. Employ fewer than 500 employees\* and
  2. Are required under the FFCRA to pay sick leave wages and/or family leave wages.
- An Eligible Employer may claim a fully refundable tax credit equal to
  - 100% of the qualified leave wages, plus
  - Allocable qualified health plan expenses, plus
  - The Eligible Employer's share of Medicare tax (on the qualified leave wages) it pays.
- The credits apply against the employer's share of the social security tax and are fully refundable because the Eligible Employer may get a refund if the amount of the credits is more than certain federal employment taxes the Eligible Employer owes.
  - The refundable credit can be recovered by filing a current quarter Form 941 or
  - retaining current deposits in anticipation of a credit or
  - requesting an advancement of the credit on Form 7100

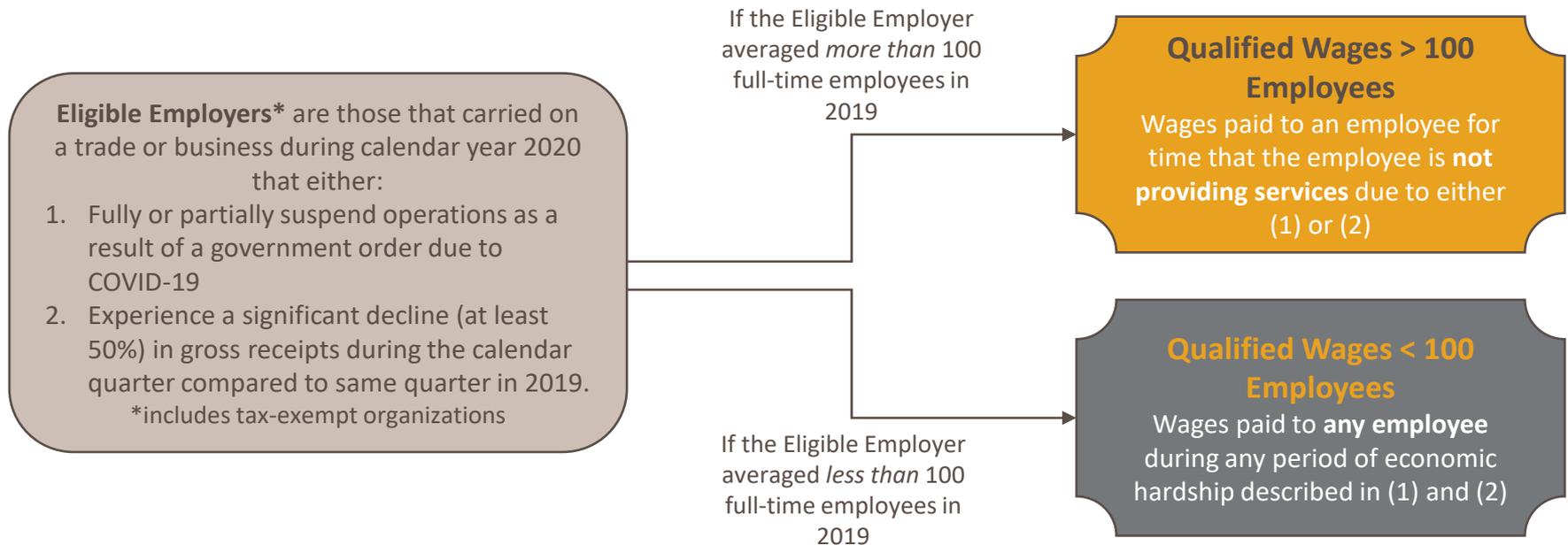
### Other Considerations

- Applies to self-employed individuals too
- If an Eligible Employer receives tax credits for qualified leave wages, those wages are not eligible as "payroll costs" for purposes of receiving loan forgiveness under the paycheck protection program.
- An Eligible Employer who also meets the requirements for the employee retention credit, may receive both credits, but not for the same wage payments.

\* A business with fewer than 50 employees may claim an exemption from providing paid EPSL and/or FMLA+ if providing these qualified leave wages would jeopardize the viability of their businesses as a going concern.

## Employee Retention Credit

- The CARES Act provides the Employee Retention Credit, which is a fully refundable tax credit for employers equal to 50% of qualified wages (including qualified health plan expenses) that Eligible Employers pay their employees (up to \$10,000 per employee)
  - Applies to qualified wages paid after March 12 - December 31, 2020
  - Maximum credit for an Eligible Employer for qualified wages paid to any employee is \$5,000.



A full-time employee means, with respect to any month, an employee who is employed on average at least 30 hours of service per week.)

## Employee Retention Credit

- The credit is allowed against the employer portion of social security taxes (6.2%) under Sec. 3111(a) of the Internal Revenue Code (the “Code”), and the portion of taxes imposed on railroad employers under Sec. 3221(a) of the Railroad Retirement Tax Act (RRTA) that corresponds to the social security taxes under Sec. 3111(a) of the Code.
- The credits are fully refundable because the Eligible Employer may get a refund if the amount of the credit is more than certain federal employment taxes the Eligible Employer owes.
  - The refundable credit is claimed on Form 941/941X on a quarterly basis.
- Other Considerations
  - An Eligible Employer may not receive the Employee Retention Credit if the Eligible Employer receives a Small Business Interruption Loan under the Paycheck Protection Program that is authorized under the CARES Act
  - The amount of qualified wages for which an Eligible Employer may claim the Employee Retention Credit does not include
    1. the amount of qualified sick and family leave wages for which the employer received tax credits under the FFCRA
    2. the amount of wages paid to an employee for which the Work Opportunity Tax Credit (WOTC) is claimed.

[IR-2020-62](#), IRS: *Employee Retention Credit available for many businesses financially impacted by COVID-19*

*FAQs: Employee Retention Credit under the CARES Act*

## Payroll Tax Deferral

- This provision of the CARES Act allows employers regardless of size (and self-employed individuals) to defer payment of the employer share (6.2%) of the Social Security tax they otherwise are responsible for paying to the federal government with respect to their employees.
- Payroll tax deferral period
  - March 27, 2020 (Day CARES Act signed into law) – December 31, 2020
- The provision requires that the deferred employment tax be paid in (2) equal installments over the following two years:
  - December 31, 2021 – 50% of the amount deferred
  - December 31, 2022 – Remaining 50% of the amount deferred
- *Deferral is **not provided** to employers receiving assistance through the Paycheck Protection Program*

# Business Tax

- Modifications for Net Operating Losses (NOLs)
- Modification of limitation on losses for taxpayers other than Corporations
- Modification of credit for prior year minimum tax liability for Corporations
- Modification of limitation on business interest
- Technical amendment regarding Qualified Improvement Property (QIP)
- Modification of limitations on charitable contributions
- Temporary exception from excise tax for alcohol used to produce hand sanitizer

# Individual Tax

## 2020 economic impact payments for individuals (rebates)

- Eligible taxpayers who filed tax returns for either 2019 or 2018 will automatically receive an economic impact payment of up to \$1,200 for individuals or \$2,400 for married couples and up to \$500 for each qualifying child.
- Waiver of early withdrawal penalty for qualified retirement plans
- Allowance of partial above-the-line deductions for charitable contributions
- Allow employers to reimburse employees up to \$5,250 for student loan repayments as well as education-assistance payments.

*Tax filers with adjusted gross income up to \$75,000 for individuals and up to \$150,000 for married couples filing joint returns will receive the full payment. For filers with income above those amounts, the payment amount is reduced by \$5 for each \$100 above the thresholds. Single filers with income exceeding \$99,000 and \$198,000 for joint filers with no children are not eligible. <https://www.irs.gov/newsroom/economic-impact-payments-what-you-need-to-know>*

# New York State - Tax Relief

## Income Tax

- New York State personal income tax and corporation tax returns originally due on April 15, 2020, have been extended to July 15, 2020. In addition, all related tax payments due on April 15, 2020, may be deferred to July 15, 2020, without penalties and interest, regardless of the amount owed.
- This extension applies to returns for individuals, fiduciaries (estate and trusts), and corporations taxable under Tax Law Articles 9, 9-A and 33.

N-20-2, *Announcement Regarding Relief from Certain Filing and Payment Deadlines due to the Novel Coronavirus, COVID-19*

# New York State - Tax Relief

## Sales Tax

- Sales tax payments and returns were due March 20, 2020; however, penalty and interest may be waived for quarterly and annual filers who were unable to file or pay on time due to COVID-19
- Returns must be filed and the amount due must be paid within 60 days of the due date for this relief to apply.
- To apply for this relief, visit the Tax Department's website:  
<https://www.tax.ny.gov/press/alerts/sales-tax-relief-for-covid-19.htm>
- Sales Tax Vendors who are required to file returns on a monthly basis and participants in the Promptax program for sales and use tax or prepaid sales tax on fuel are not eligible for this relief.

N-20-1, *Announcement Regarding the Abatement of Penalties and Interest for Sales and Use Tax due to the Novel Coronavirus, COVID-19*

# Unemployment Benefits

## Pandemic Unemployment Assistance (PUA) program

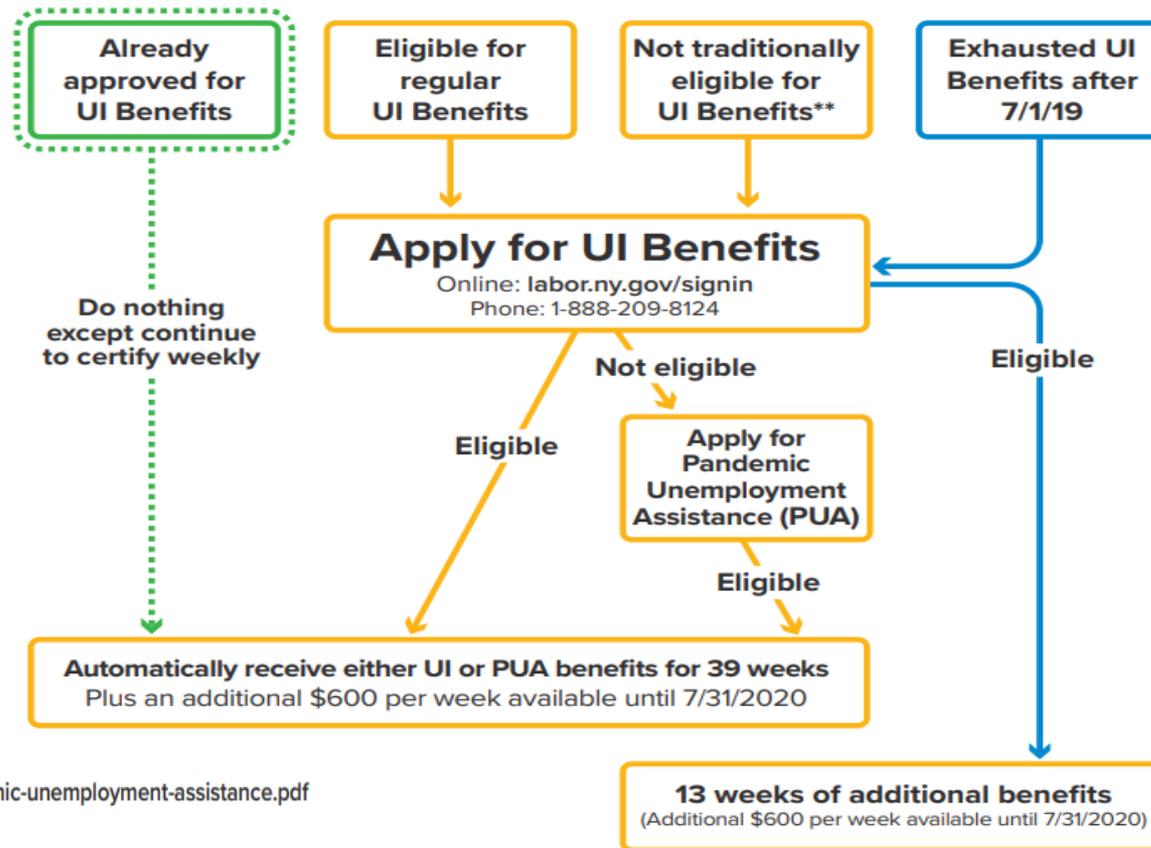
- The program provides for increased unemployment insurance (UI) compensation benefits of \$600 per week for up to 4 months thru 7/31/20 in addition to state benefits.
- The program provides federal funding of unemployment benefits to those typically not eligible for UI, such self-employed individuals, independent contractors, gig economy workers and those with limited work history.
- Additionally, the federal government will fund an additional 13 weeks of state unemployment benefits through 12/31/20 after workers have exhausted their benefits.
- New York provides for 26 weeks of UI benefits.

# RELIEF FOR WORKERS AFFECTED BY CORONAVIRUS ACT

## WHAT YOU NEED TO KNOW AND DO ABOUT THE CARES ACT



The federal CARES Act was signed into law March 27, 2020. The Act provides enhanced Unemployment Insurance (UI) benefits and Pandemic Unemployment Assistance (PUA) for New Yorkers. Here's what you need to know.



\*\*[labor.ny.gov/ui/pdfs/pandemic-unemployment-assistance.pdf](https://labor.ny.gov/ui/pdfs/pandemic-unemployment-assistance.pdf)

### MORE INFORMATION:

See Frequently Asked Questions About UI During the Coronavirus Emergency:  
[labor.ny.gov/ui/pdfs/ui-covid-faq.pdf](https://labor.ny.gov/ui/pdfs/ui-covid-faq.pdf)

To apply for UI benefits file on these days:

Filing for UI benefits is based on your last name.

**A - F file on Monday** | **G - N file on Tuesday** | **O - Z file on Wednesday**

Missed your day? File on Thurs-Fri-Sat

<https://labor.ny.gov/ui/cares-act.shtm>



# Questions & Answers

# Contact us..

If you have additional questions:

- Visit our COVID-19 Resource Center  
<https://www.tsacpa.com/coronavirus-covid-19-resource-center/>
- Email our Response Team  
[covid19team@tsacpa.com](mailto:covid19team@tsacpa.com)
- **CONTACT US**  
Use the CONTACT US box at the bottom of the webpage to send your questions directly to our Response Team. We will try to respond within 24 hours.



[tsacpa.com](http://tsacpa.com)

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