Tax Relief to Combat COVID-19: Don't exclude your business from relief by choosing the wrong program.

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The Families First Coronavirus Response Act (FFCRA) and Coronavirus Aid, Relief and Economic Security (CARES Act), parts of a sweeping relief package in response to the COVID-19 pandemic, became law on March 18 and March 27, respectively. These pieces of legislation are the largest stimulus package in U.S. history, providing trillions of dollars in relief to individuals and businesses struggling with the devastating economic effects of the COVID-19 pandemic. This recent legislation provides economic relief through new financial assistance programs and significant expansions of existing financial assistance programs. Several of these programs provide assistance in the form of tax relief, either providing a tax credit to offset expenses or providing tax free cancellation of indebtedness.

It is critical for businesses to understand the impact that participation in one or more of the new tax and economic relief programs will have on an employer's eligibility to utilize the other new programs. This post provides a chart that highlights how participation in a program affects the ability to participate in other programs or renders a business ineligible for another program. Employers should review the available programs and choose those that are most beneficial to the needs of their business. The attorneys at Frost Brown Todd are available to help businesses navigate the available financial assistance programs during these difficult times.

Payroll Protection Program Loans (PPP)

Employers, including self-employed individuals and 501(c)(3) organizations, with 500 or fewer employees (or which otherwise meet the size standards for a small business concern) may be eligible for special loans of up to $10 million.

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- Maximum loan available is lesser of 2.5 months of historical payroll cost or $10 million.
- Loan amount used for payroll, utilities and rent or mortgage interest in first 8 weeks after loan origination is forgiven if employer maintains certain employment thresholds. At least 75% of the loan proceeds must be used for payroll costs.
- Covered period for loan ends June 30.

See Frost Brown Todd's article, The CARES Act: Tax and Financial Relief for Businesses, for more detailed information on this benefit.

Payroll Tax Credit for Sick and Family Leave

Employers paying sick and family medical leave as required under the Families First Coronavirus Response Act receive a refundable credit against payroll tax in the amount of payments made.

See Frost Brown Todd's article, Your Business, Taxes and the Families First Coronavirus Response Act, for more detailed information on this benefit.

Employee Retention Tax Credit (ERTC)

Eligible employers may receive a refundable payroll tax credit equal to 50% of the qualified wages paid to employees during the COVID-19 crisis.

- Only available to employers who were subject to closure or had a decline in gross receipts of more than 50% when compared to the same quarter in the prior year.
- Payroll tax credit is equal to 50% of the qualified wages paid by employers to eligible employees during the COVID-19 crisis. Eligibility differs depending on number of employees.
- The credit is provided for the first $10,000 of compensation paid, including health benefits, to an eligible employee per quarter.
- The employee retention credit is available for wages paid or incurred from March 13, 2020 through December 31, 2020.

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See Frost Brown Todd's article, The CARES Act: Tax and Financial Relief for Businesses, for more detailed information on this benefit.

Payroll Tax Deferral

Eligible employers may defer 100% of payroll taxes and eligible self-employed individuals may defer 50% of self-employment taxes over the following two years, interest-free with half of the deferred payments due by December 31, 2021 and the remainder being paid by December 31, 2022.

See Frost Brown Todd's article, The CARES Act: Tax and Financial Relief for Businesses, for more detailed information on this benefit.

Economic Injury Disaster Loan (EIDL)

Eligible employers may receive loans of up to $2 million for coronavirus assistance. Eligible applicants for an EIDL can receive a $10,000 emergency grant within three days of application through Dec. 31, 2020. EIDL grant is available regardless of whether EIDL loan is approved and requires no repayment in any case.

- Payments on coronavirus EIDL loans are deferred for one year with interest accruing.
- Can apply for coronavirus related EIDL loan until December 31, 2020.
- No loan forgiveness.

See Frost Brown Todd's article, Comparing Paycheck Protection Program and Emergency Economic Injury Disaster Loan Options for Small Business under the CARES Act, for more detailed information on this benefit.

We continue to follow these developments closely and will provide updates as both the federal and state governments continue to decipher how best to aid taxpayers during this difficult time. For more information as to how the spread of COVID-19 creates tax implications, see Tax Law Defined and Frost Brown Todd's Coronavirus Resource Page.

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To provide guidance and support to clients as this global public-health crisis unfolds, Frost Brown Todd has created a Coronavirus Response Team. Our attorneys are on hand to answer your questions and provide guidance on how to proactively prepare for and manage any coronavirus-related threats to your business operations and workforce.

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