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COVID-19 Employer Toolkit Highlights



Goal of this Presentation:

- Highlight the significant federal programs related to COVID-19 that may impact your business
- Give a brief overview of those programs
- Provide website links to the original source material and organizations which have helped to interpret this material, including many great answers to FAQs

AGENDA

- Introductions

Presenter: Todd Restel, Chief Financial Officer for First Supply, Gerhard's Kitchen & Bath Stores, and Kohler Signature Stores by First Supply. My direct contact information is on the final slide.

- Coronavirus Aid, Relief, and Economic Security (“CARES”) Act Summary, including
 - Small Business Relief Loans
 - Federal Paid Leave Changes
 - Federal CARES Act Summary
 - Unemployment Insurance

Funding Options for Relief Loans

[as provided for under the CARES Act via the US Small Business Administration (“SBA”)]

- Paycheck Protection Program (PPP)
- Economic Injury Disaster Loan Emergency Advance (EIDL)
- SBA Express Bridge Loans
- SBA Debt Relief

Paycheck Protection Program (PPP) - Loan Information

- The PPP is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll.
- SBA will forgive loans if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities.
- You can apply through many banks and credit unions. I recommend the best starting place to be your existing local lender.
- Lenders began processing loan applications on Friday, April 3, 2020. The PPP will be available through June 30, 2020.

Paycheck Protection Program (PPP) – Who Can Apply

- This program is for any small business with less than 500 employees (including sole proprietorships, independent contractors and self-employed persons) affected by coronavirus/COVID-19

Paycheck Protection Program (PPP) – Loan Details and Forgiveness

- The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities (at least 75% of the forgiven amount must have been used for payroll). Loan payments will also be deferred for six months. No collateral or personal guarantees are required. Neither the government nor lenders will charge small businesses any fees.
- Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease.
- This loan has a maturity of 2 years and an interest rate of 1%

Paycheck Protection Program (PPP) – Website

- The following is a link to the direct SBA website on the PPP program.

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program-ppp>

- The following is a link to a downloadable application in a PDF format

<https://www.sba.gov/document/sba-form--paycheck-protection-program-borrower-application-form>

Economic Injury Disaster Loan Emergency Advance (EIDL) - Overview

- Small business owners are eligible to apply for an EIDL advance of up to \$10,000. This advance will provide economic relief to businesses that are currently experiencing a temporary loss of revenue.
- The EIDL advance funds will be made available within days of a successful application.
- This loan advance will not have to be repaid.
- This program is for any small business with less than 500 employees (including sole proprietorships, independent contractors and self-employed persons) affected by COVID-19.

Economic Injury Disaster Loan Emergency Advance (EIDL)

- The following is a link to the direct SBA website on the EIDL program.

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/economic-injury-disaster-loan-emergency-advance>

- The following is a link to the EIDL online application.

<https://covid19relief.sba.gov/#/>

Express Bridge Loan Pilot Program

- This program allows small businesses who currently have a business relationship with an SBA Express Lender to access up to \$25,000 quickly. These loans can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing and can be a term loan or used to bridge the gap while applying for a direct EIDL.
- The following is a link to the direct SBA website on the this program.
<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/sba-express-bridge-loans>
- The following is a link to a downloadable application in a PDF format
<https://www.sba.gov/document/support--express-bridge-loan-pilot-program-guide>

SBA Debt Relief

- If you currently have a SBA loan, please visit the website link below. The SBA is offering automatic payment of principal, interest and fees for certain SBA loans through September 2020.

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

Federal Paid Leave Changes

[as provided for under the Families First Coronavirus Response Act (FFCRA)] via the Department of Labor]

The FFCRA is applicable to companies with less than 500 employees and provides:

- new paid sick leave benefits
- new Family and Medical Leave Act (“FMLA”) benefits for some employees to care for children now home from school or daycare due to COVID-19
- unemployment benefits

Federal Paid Leave Changes

- Brittney Cornillaud, our First Supply staff attorney, will be providing a webinar on this topic on Thursday, April 9th. Consider the links in this slide an opportunity to pre-read about these programs.
- To help everyone with compliance, the Department of Labor (“DOL”) has issued extensive guidance on the FFCRA.
<https://www.dol.gov/agencies/whd/pandemic/ffcra-employer-paid-leave>
- The DOL also has a page established with additional resources, such as HR posters that that contain information employers are now required to post.
<https://www.dol.gov/agencies/whd/pandemic>

CARES Act:

[per American Institute of Certified Public Accountants (“AICPA”)]

Payroll tax credit refunds

- Subject to limitations and exceptions, employers of less than 500 employees are required to provide mandatory sick time and paid family leave but are eligible for payroll tax credits to offset the costs. Eligible self-employed individuals also qualify for the credits. Employers with fewer than 50 employees can be exempted.
- The paid leave is available for up to 10 weeks. The first 10 days of the leave may consist of unpaid leave or accrued paid time off. The amount paid per day is calculated based on the “two-thirds rule” discussed in H.R. 6201. The credit is generally available for up to \$200 in wages for each day an employee receives qualified family leave wages. A maximum of \$10,000 in wages per employee would be eligible for the credit.
- Two weeks of sick pay must be paid when the employee is unable to work for coronavirus-related reasons. The amount of the sick pay depends on many factors, with the maximum being \$511 per day (\$5,110 in total) or \$200 per day (\$2,000 in total) based on the exact reason the employee is unable to work.
- The credits can be refunded in advance using forms and instructions the IRS will provide. The IRS is instructed to waive any penalties for failure to deposit payroll taxes if the failure was due to an anticipated payroll tax credit.

CARES Act:

[per American Institute of Certified Public Accountants (“AICPA”)]

Coronavirus stimulus rebates

- Individuals will receive a tax credit of \$1,200 (\$2,400 for joint filers) plus \$500 for each qualifying child. The credit begins to phase out for taxpayers with adjusted gross income (AGI) above \$150,000 for joint filers, \$112,500 for heads of households and \$75,000 for other individuals.
- Stimulus rebates are being treated as advance refunds of a 2020 tax credit. Taxpayers will reduce the amount of the credit available on their 2020 tax return by the amount of the advance refund they receive.
- The credit is not available to individuals who can be claimed as a dependent by another taxpayer and estates and trusts.

CARES Act:

[per American Institute of Certified Public Accountants (“AICPA”)]

Employee retention credit

- Eligible employers are allowed a credit against employment taxes equal to 50% of qualified wages (up to \$10,000 in wages) for each employee.
- Employers that have gross receipts that are less than 50% of their gross receipts for the same quarter in the prior year are also eligible, until their gross receipts exceed 80% of their gross receipts for the same calendar quarter in the prior year.
- For employers with more than 100 employees, wages eligible for the credit are wages that the employer pays employees who are not providing services due to the suspension of the business or a drop in gross receipts. For employers with 100 or fewer employees, all wages paid qualify for the credit.
- Not eligible if you accepted a PPP loan.

CARES Act:

[per American Institute of Certified Public Accountants (“AICPA”)]

Payroll tax delay

Payment is delayed by 50% for 2020 employer’s share of Social Security payroll taxes until Dec. 31, 2021; the other 50% will be due Dec. 31, 2022. For self-employment taxes, 50% will not be due until the same dates.

CARES Act:

[per American Institute of Certified Public Accountants (“AICPA”)]

Charitable deductions

- There is an above-the-line charitable deduction for 2020 (not to exceed \$300).
- AGI limitations are modified for charitable contributions for 2020, to 100% of AGI for individuals and 25% of taxable income for corporations (increased from 10%).

CARES Act:

[per American Institute of Certified Public Accountants (“AICPA”)]

Net operating losses (NOLs)

- For tax years beginning before 2021, the 80% income limitation for NOL deductions is temporarily repealed.
- For losses arising in tax years 2018, 2019 and 2020, a five-year carryback is allowed (taxpayers can elect to forgo the carryback). This law also applies to pass-through businesses and sole proprietorships.

CARES Act:

[per American Institute of Certified Public Accountants (“AICPA”)]

Interest limitation

For tax years beginning in 2019 and 2020, Sec. 163(j) is amended to increase the adjusted taxable income percentage (ATI) from 30% to 50%.

Taxpayers can elect to calculate the interest limitation using 2019 ATI rather than the current year.

CARES Act:

[per American Institute of Certified Public Accountants (“AICPA”)]

Corporate alternative minimum tax (AMT)

The AMT credit for corporations is now a refundable credit for the 2018 and 2019 tax years.

State updates:

[per American Institute of Certified Public Accountants (“AICPA”)]

IA, IL, KS, MI, MN, and WI have extended certain income tax payments from April 15th to various dates in July 2020.

CARES Act: Mortgage Forbearance & Credit Reporting

- During the “covered period,” a borrower with a Federally backed mortgage loan experiencing a financial hardship due, directly or indirectly, to the COVID–19 emergency may request forbearance on the Federally backed mortgage loan, regardless of delinquency status.
 - The “covered period” is 60 days (2 months) and allowable extensions of up to 4 periods of 30 days each (4 months).
- Requires furnishers to credit reporting agencies who agree to account forbearance, or agree to modified payments with respect to an obligation or account of a consumer that has been impacted by COVID-19, report such obligation or account as “current” or as the status reported prior to the accommodation during the period of accommodation unless the consumer becomes current.
 - This applies only to accounts for which the consumer has fulfilled requirements pursuant to the forbearance or modified agreement.
 - This credit protection is available beginning January 31, 2020 and ends at the later of 120 days after enactment or 120 days after the date the national emergency declaration related to the coronavirus is terminated.

CARES Act: Unemployment Benefits (per Wisconsin Manufacturers & Commerce)

- Unemployment benefits would be extended by 13 weeks – current maximum in Wisconsin is 26 weeks – for a total of 39 weeks.
- Unemployment compensation is available for those not eligible for regular UI, including those who may have exhausted benefits.
- An individual must provide certification that he or she is able and available to work, but is unemployed or underemployed due to:
 - COVID-19 diagnosis or presentation of symptoms and seeking medical attention; A household member with coronavirus diagnosis; Caring for a family member who has been diagnosed; School or daycare closures and the individual is the primary child caregiver.
 - Workplace lock-down
 - Advice from health care provider to self-quarantine.
 - The individual was about to start a job that is no longer available because of coronavirus.
 - The individual is now the breadwinner of a household because someone has died from coronavirus.
 - The individual had to quit because of a circumstance resulting from coronavirus.
 - The individual's place of work is closed because of coronavirus.
- Benefits are not available to employees who can telework with pay.
- Employees being paid with sick pay or paid family leave are ineligible for benefits.
- No one week waiting period – federal government will pay the cost for any state that waives the one-week waiting period until December 31, 2020.
- Upon agreement between a state, an additional \$600 per worker per week unemployment compensation payment is available. This additional compensation is 100% covered by the federal government, but sunsets on July 31, 2020.

CARES Act:

[per American Institute of Certified Public Accountants (“AICPA”)]

Retirement plans

- Taxpayers can take up to \$100,000 in coronavirus-related distributions from retirement plans without being subject to the Sec. 72(t) 10% additional tax for early distributions. Eligible distributions can be taken up until Dec. 31, 2020.
- Coronavirus-related distributions may be repaid within three years. Any resulting income inclusion would be subject to tax over three years.
- Existing loans of up to \$100,000 from qualified plans, and repayment can be delayed for one year.
- The required minimum distribution rules in Sec. 401 are temporarily suspended for 2020. The bill delays 2020 minimum required contributions for single-employer plans until 2021.

CARES Act: Pension and Employee Benefit Requirements (per Wisconsin Manufacturers & Commerce)

- Allows the DOL to delay employee benefit related deadlines because of a public health emergency the same as declared national disasters or terroristic military actions
- Delays any required minimum pension contributions due in 2020 until January 1, 2021 (plus interest).
- For benefit restrictions, allow a plan sponsor to use the adjusted funding target attainment percentage for the last plan year ending before January 1, 2020 for plan years including calendar year 2020.

CARES Act: Work Sharing Benefits

(per Wisconsin Manufacturers & Commerce)

- Work sharing allows employers to reduce an employee's hours, instead of laying him or her off, while allowing the employee to collect unemployment benefits to supplement reduced income.
- Employers participating in a short-term compensation program will pay half the cost to the state.

Two Final Notes:

1. Communicate

- Communicate frequently with critical stakeholders to keep them informed.

2. Fraud Awareness

- Be aware that Fraudsters will try to take advantage of this situation, so take precautions to protect yourself and your organization.

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Wrap Up:

Feel free to contact me directly with questions or comments.

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Please refer to our website for updated communications:

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