



CORONAVIRUS AID, RELIEF, & ECONOMIC SECURITY ACT (CARES ACT)

COVID-19: A Deep Dive Into the CARES Act and
Employer Best Practices

March 31, 2020

LEGAL DISCLAIMER



This communication and any accompanying documents are intended for educational and informational purposes only, do not constitute legal information, and should not be relied on as such.



While we hope that you will learn a lot today, we are not attorneys, and the information should not be construed as legal advice. If you are seeking legal advice, you are encouraged to consult an attorney.

PURPOSE

To repair the economic damage caused by COVID-19 and provide additional protection to individuals and businesses who may lose income due to the pandemic.



COMPONENTS

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Healthcare and Benefits

2

Retirement Savings

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Unemployment Insurance

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Educational Assistance

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Business Provisions

HEALTHCARE AND BENEFITS

HEALTH CARE

- All testing for coronavirus (COVID-19) is to be covered by private insurance plans (fully-insured and self-insured) without cost sharing.
- Allows a high-deductible health plan (HDHP) paired with a health savings account (HSA) to cover telehealth services prior to a patient reaching the deductible.
- Allows individuals to use funds in accounts such as HSAs and Flexible Spending Accounts for the purchase of certain over-the-counter medical products as qualified expenses.

BENEFITS

- Amends ERISA to allow employers the ability to postpone certain ERISA filing deadlines for a period of up to one year.
- Gives single employer pension plan companies more time to meet their funding obligations by delaying the due date for contributions during 2020 to January 1, 2021.
- Ensures that federal contractors who cannot perform work due to the nature of their job duties as a result of COVID-19 to continue to get paid.

EMERGENCY LEAVES

- Allows employees who were laid off March 1, 2020 or later to have access to paid family and medical leave in certain instances if rehired by the employer.
 - Note that under the Emergency FML Expansion guidelines, the employee would have to had worked for the employer at least 30 days prior to being laid off.

IN SERVICE DISTRIBUTIONS

- Waives the 10% early distribution penalty on early withdrawals up to \$100,000 from certain retirement plans or IRAs for any of the following:
 - an individual who is diagnosed with COVID-19;
 - whose spouse or dependent is diagnosed with COVID-19;
 - who experiences adverse financial consequences as a result of being quarantined, furloughed, laid off, having work hours reduced, being unable to work due to lack of childcare due to COVID-19;
 - closing or reducing hours of a business owned or operated by the individual due to COVID-19;
 - or other factors as determined by the Treasury Secretary.

ADDITIONAL DETAILS

- Applicable on coronavirus-related distributions made on or after January 1, 2020, and before December 31, 2020.
- Permits individuals to pay tax on the income from the distribution over a three-year period or allows individuals to repay that amount tax-free back into the plan over the next three years.
- The plan administrator may rely on a participant's certification that he or she satisfies any of these criteria.
- Retirement plans can make amendments and adopt these rules immediately. Keep in mind that this is an optional benefit that may be made available by plan sponsors but is not required. Plan sponsors should consult with their investment company/advisor as soon as possible.



RETIREMENT PLAN LOAN

- Eligible individuals may be entitled to a temporary increase in the amount available as a loan. This increase is limited to a period of 180 days from March 27, 2020.
- The retirement plan loan limit may be temporarily doubled to the lesser of \$100,000 or 100% of the participant's vested account balance in the plan.
- Any plan loan payment that comes due from March 27, 2020 and continuing through December 31, 2020, would be delayed for an additional year. Subsequent loan payments must be adjusted to reflect the delay and any interest that accrues during the delay.
- Plan amendments and notices to participants are required to reflect this relief.
- Plan sponsors should consult with their investment company/investment advisor to make these optional plan changes.

OTHER CHANGES

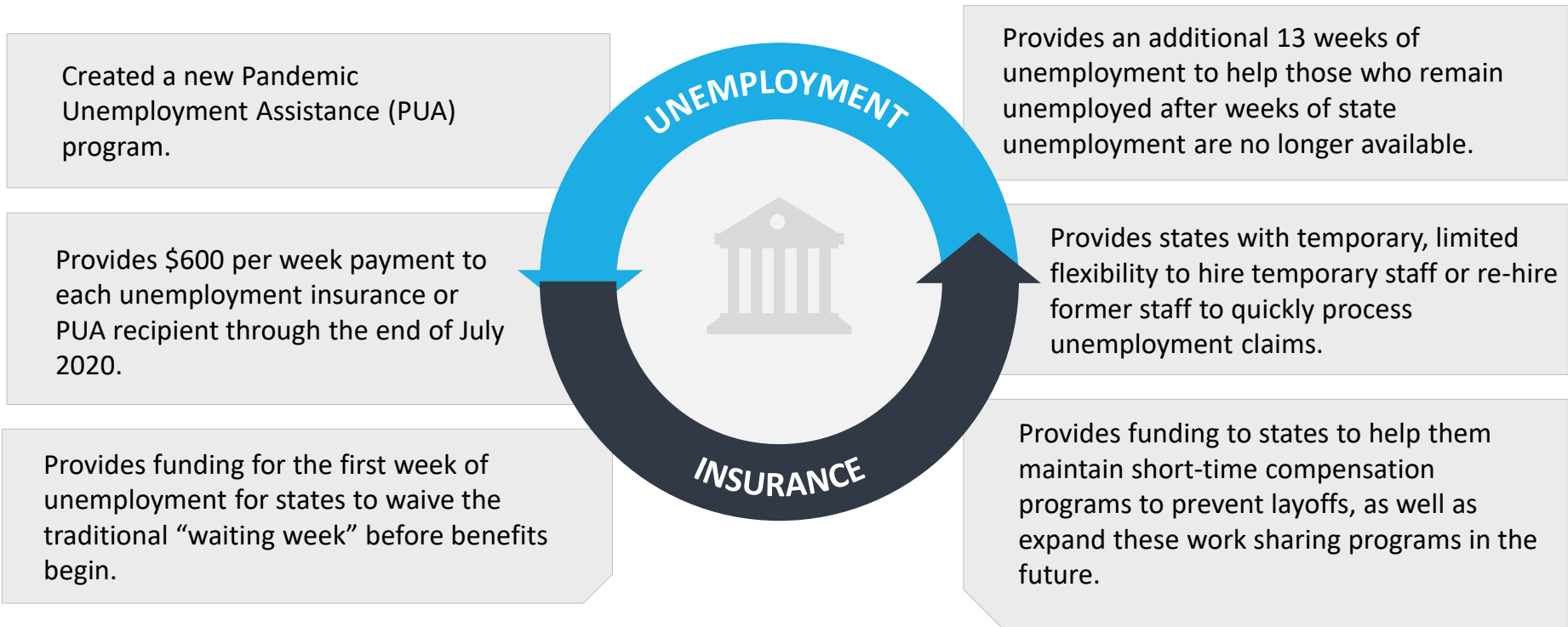
- Waives the required minimum distribution rules for accountholders who are age 70-1/2 or older that are subject to mandatory minimum distributions for certain defined contribution plans and IRAs for calendar year 2020.



PANDEMIC UNEMPLOYMENT ASSISTANCE



The new Pandemic Unemployment Assistance **pays 50% of the unemployment insurance cost** incurred by state, local and tribal governments and non-profit organizations, not part of the unemployment insurance system.



The Pandemic Unemployment Assistance program is in effect through December 31, 2020.



EDUCATIONAL ASSISTANCE



Student Loan Repayment

Allows employers to provide a student loan repayment benefit to employees on a tax-free basis. An employer may contribute up to \$5,250 annually toward an employee's student loans, and such payment would be excluded from the employee's income.

The \$5,250 cap applies to both the new student loan repayment benefit as well as other educational assistance (e.g., tuition, fees, books) provided by the employer under current law. The provision applies to any student loan payments made by an employer on behalf of an employee after date of enactment and before January 1, 2021.



BUSINESS PROVISIONS

01 PROVISION

SS TAX DEFERMENT

Allows employers 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. This applies to wages paid beginning March 27, 2020 through December 31, 2020. Half of the amount required to be paid by December 31, 2021 and the other half by December 31, 2022.

Note that if you have a loan forgiven, you cannot defer the 6.2%.



02 PROVISION

PAYROLL TAX CREDIT

Provides a **refundable payroll tax credit for the employer's share of the 6.2% of Social Security tax**. The credit is available to employers whose (1) operations were fully or partially suspended due to a COVID-19-related shut-down order, or (2) gross receipts declined by more than 50% when compared to the same quarter in the prior year. The credit is for 50% of the first \$10,000 in qualified wages paid to each employee. For employers who are eligible due to a decline in gross receipts, they will remain eligible until the gross receipts exceed 80% relative to the same quarter in the prior year or December 31, 2020, whichever is sooner.

Please contact your accountant for more information.



03 PROVISION

RELIEF LOANS

Employers may apply for relief loans due to COVID-19. The SBA, in conjunction with local banks, will be assisting in these low interest and sometimes forgivable loans. The Paycheck Protection Program (PPP) loans are potentially forgivable while the Economic Injury Disaster Loans (EIDL) offer longer term, low interest rate loans due to COVID-19. In addition there is debt relief for existing SBA Loans.

Please contact your SBA lender or www.sba.gov for more information.





THANK YOU

Please contact TPC Vision,
if you have any questions.

