



There is Hope in this Crisis

Practical Resources for Small Business

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Here is How to Get Help You Need:

Click for details

- **SBA Assistance**
- **Unemployment Claims**
- **Tax Filing and Payment Deadlines**
- **Sales and Lodging Tax Relief**
- **Families First COVID-19 Response Act**
- **CARES Act**

SBA Assistance

A path to hope for some small businesses could be a loan from the Small Business Administration (SBA). If this seems to bring a glimmer of hope for you, we suggest you take action immediately (see instructions below). We do not know when the system for banks and the SBA will be overwhelmed, so move fast.

From the Facts Sheets at SBA.gov:

Alabama is a designated Covid-19 - Economic Injury Disaster Loan (EIDL) qualified area:

The details are:

- a. Low-Interest Working Capital Loans to Small Businesses
 - i. For temporary loss of revenue
- b. Can be used for:
 - i. Pay fixed debts
 - ii. Payrolls
 - iii. Accounts Payable
 - iv. Other bills
- c. Credit requirements:
 - i. Acceptable credit history
 - ii. Show ability to repay
 - iii. If collateral is available, you may be required to make it available for liens against loans over \$25k (Including Real Estate when available); however, the SBA will not decline a loan for lack of collateral.
- d. Interest Rates: the maximum interest rate is 3.75% for nonprofits 2.75%
- e. Loan Terms: the maximum is 30 years
- f. Loan Amount Limit: Up to \$2M for alleviating economic injury caused by a disaster.
- g. Applicants can apply online at <https://disasterloan.sba.gov/ela>. Applicants may also call SBA's Customer Service Center at (800) 659-2955 or email disastercustomerservice@sba.gov for more information on SBA disaster assistance.

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Unemployment Claims

There is hope for our employees that we have had to lay off.

- Employees can get immediate assistance from the Alabama Department of Labor (ALDOL).
- ALDOL is waiving the employer charges for COVID-19 related unemployment claims for those who file partial unemployment compensation claims on behalf of their employees. The waiver means the employer's experience rating will NOT be affected by COVID-19 claims.

Although ADOL does NOT yet have technical guidance or a start date regarding the CARES Act programs, benefits may be paid retroactively from the time the employee separated from his or her job or otherwise became eligible under the federal CARES Act, not from the time the application was submitted or approved.

Employees who may be affected include:

- The self-employed
- Church employees
- Nonprofit and governmental employees
- Independent contractors
- Gig economy workers
- Those who have exhausted their regular UI benefits.

Those employees should also meet at least one of these conditions:

- The individual has been diagnosed with COVID-19
- A member of the individual's household has been diagnosed with COVID-19
- The individual is providing care to a household or family member
- A child or other person for which the individual has primary caregiving responsibility is unable to attend a school or another facility as a result of COVID-19
- The individual is unable to reach the place of employment because of a quarantine imposed as a result of the COVID-19 public health emergency
- The individual is unable to reach the place of employment because a health care provider has advised the individual to self-quarantine
- The individual was scheduled to start work and does not have a job as a result of COVID-19
- The individual has become the breadwinner or major support for a household because the head of the household has died as a direct result of COVID-19
- The individual has to quit their job because of COVID-19
- The individual's place of employment is closed because of COVID-19

Facts regarding the COVID-19 related unemployment claims:

- Benefits will be up to a maximum of \$275 weekly for up to three weeks at this time.
- Unemployment claims can be filed during the first week the employee is unable to work.
- Employer's experience ratings will not be affected by COVID-19 related claims. This rating is how the employer's unemployment tax rate is determined.
- All filing charges for partial unemployment compensation claims filed on behalf of employees will be waived for COVID-19 related claims.
- Filing internet partials on behalf of employees, as well as employers sending a Ben 241 waiver directly to the department of labor, will both expedite the processing of employees' unemployment compensation claims.

Information regarding claims and how to file them is available at <https://labor.alabama.gov>

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Tax Filing and Payment Deadlines

There is hope in this time of need because we now have more time. We now have time to recover from this disaster and not worry about the looming tax payment deadline. The US Treasury Department moved Tax filing day from April 15th to July 15th. Treasury Secretary Steven Mnuchin states, “All taxpayers and businesses will have this additional time to file and make payments without interest or penalties.”

Breaking News: Alabama Department of Revenue is following suit and has extended their tax filing deadline to July 15th. Also, this extension applies to the due date for payments, and waiver of interest, for individual income tax (including payments on self-employment income), corporate income tax, business privilege tax, and 2020 estimated tax.

No April 15th tax deadline extensions need be filed, these extensions to July 15th are automatic.

Accounting Complete encourages all taxpayers to file income tax returns as originally planned by April 15th. Filing by this date would allow for refunds to be processed quicker during this time of need or to budget for balances owed on the July 15th payment extension deadline.

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Sales and Lodging Tax Relief

We now have relief and hope due to the lifting of penalties for late payment of monthly state sales tax filings for lodging, restaurants, and small businesses whose monthly retail sales average \$62.5k or less during the previous calendar year. This relief applies to the February – April 2020 state sales tax filings.

Note: Interest for paying late cannot be waived under the State Constitution.

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Families First COVID-19 Response Act

There is hope for those employers who are retaining their employees thru paid leave.

Here is **What Employers Need to Know:**

President Trump signed this on March 18, 2020, and it will go into effect on April 2nd.

The applications of this for small business owners include:

Paid and Unpaid Leave for Coronavirus-Related Reasons (click for details):

- Part 1: Emergency Paid Sick Leave
- Part 2: Emergency Family and Medical Leave Act
- Reimbursement to Employers as Tax Credits

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Part 1: Emergency Paid Sick Leave (EPSL)

Applicable to Employers with 1-499 employees:

- Any employee who works for an employer is eligible (different from EFMLA)
- If the EMPLOYEE is sick, the employee is entitled to:
 - Full-time Employees –80 hours of paid sick leave
 - Part-time Employees –Pay is based on the average number of hours the employee worked for the six months before taking sick leave, or, if the employee has worked less than six months, the average number of hours per week the employee would typically be scheduled to work

The Qualifying Reasons

Must provide paid sick time "to the extent the employee is unable to work or telework due to a need for leave because":

1. The employee is subject to a federal, state or local quarantine or isolation order related to COVID-19
2. The employee has been advised by a health care provider to self-quarantine due to concerns pertaining to COVID-19
3. The employee is experiencing symptoms of COVID-19 and seeking a medical diagnosis
4. The employee is caring for an **individual** who is subject to an order or self-quarantine
5. The employee is caring for a son or daughter if their school or child-care is closed/unavailable
6. The employee is experiencing "any other substantially similar condition" specified by HHS

Employees will be compensated at:

- The HIGHER of their regular rate, federal minimum wage or local minimum wage for reasons 1, 2, or 3.
- The HIGHER of their regular rate, federal minimum wage or local minimum wage at 2/3 the employee's regular rate or 2/3 applicable minimum wage for qualifying reasons 4, 5 or 6
- Capped at the following levels:
 - \$511 per day and \$5,110 in aggregate per person for qualifying reasons 1, 2 or 3
 - \$200 per day and \$2,000 in aggregate per person for qualifying reasons 4, 5 or 6

Tax Credits

- Employers subject to the requirements are entitled to a refundable tax credit equal to the amount of the qualified paid sick leave and qualified health plan expenses paid by the employer per quarter.
- The tax credits for qualified paid sick leave wages are capped at
 - \$511 per day per person for qualifying reasons (1), (2) and (3)
 - \$200 per day per person for qualifying reasons (4), (5) and (6)
- The tax credits are applied against payroll taxes related to the Federal 941 deposit, but employers are reimbursed if their costs for qualified leave exceed the taxes they would owe.

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Part 2: Emergency Family And Medical Leave Act (EFMLA)

- This part of the Act applies to employers with 1-499 employees.
- The Act significantly expands the FMLA, but only temporarily.
- The Act will apply to any employee who worked for an employer for 30 days before leave and has a qualifying reason (no requirement of 12 months/1250 hours).
- The Act provides up to 12 weeks of job-protected leave (paid after the first ten days)

Qualifying reason

The employee is unable to work or telework due to the need for leave to care for a son or daughter under 18 years of age, if the school or place of care has been closed or unavailable due to a public health emergency.

How does it work, and what are the benefits?

- The first ten days of EFMLA may be unpaid
 - An employee may elect to substitute accrued PTO, vacation, or sick leave to cover any portion of the first ten days
 - An employer cannot require an employee to substitute such leave
- After the first ten days (up to ten weeks):
 - The employee will be compensated at 2/3 of the regular rate
 - Part-time employee pay is based on their average hours for six months prior or their typical scheduled work week
 - Pay capped at \$200 per day and \$10,000 in aggregate per employee

Job Restoration/Reinstatement

- If 25 or more employees, traditional restoration obligation under FMLA
- If fewer than 25 employees, the traditional job reinstatement provisions of the FMLA do not apply IF the following conditions are met:
 - Employee takes EFMLA
 - The position the employee held when the leave started does not exist due to economic conditions or other changes in operations of the employer that affect employment and are caused by a public health emergency
 - The employer makes reasonable efforts to restore the employee to an equivalent position, with equivalent pay, benefits and other terms
 - If reasonable efforts to restore the employee to an equivalent position fail, the employer must make reasonable efforts to contact the employee if the position becomes available for one year.

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Reimbursement to Employers as Tax Credits

- Employers subject to the requirements are entitled to a tax credit to the amount of the paid family and medical leave wages and qualified health care expense paid by the employer
- The tax credits for qualified wages are capped at \$200 per day and \$10,000 per calendar quarter per employee
- Tax credits are applied against payroll taxes related to the Federal 941 deposit, but employers are reimbursed if their costs for qualified leave exceed the taxes they owe
 - Example 1: If you paid \$5,000 in sick leave benefits and your weekly tax deposit is \$4,000, the IRS would owe you \$1,000.
 - Example 2: If you paid \$5,000 in sick leave benefits and your weekly tax deposit is \$6,000, your tax deposit would be \$1,000 that week.

For more information on this guidance, see the most recent [IRS News Release](#)

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CARES Act

As of March 25, a deal has been reached on \$2-trillion COVID-19 Stimulus Bill. The "Coronavirus Aid, Relief, and Economic Security Act" (CARES Act) includes many tax and financial breaks for both individuals and businesses. Here are the details of that plan (click for more information):

- **Recovery Rebate**
- **Penalty-Free Retirement Withdrawals**
- **Waiver of the 2020 RMD Requirement**
- **Temporary Removal of Charitable Contribution Limits**
- **Employer Student Loan Payments**
- **Employer Delayed Payroll Tax Deposits**
- **Temporary Reinstatement of NOL Carrybacks**
- **Limitation on Losses**
- **Prior Year AMT Credit for Corporations**
- **Limitation on Business Interest**
- **Loan Guarantees and Subsidies**
- **Employer Credit for Retaining Employees**
- **Economic Injury Disaster Loan (EIDL) Program**
- **Paycheck Protection Program**

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Recovery Rebate

The most talked-about provision is the "recovery rebates" for individuals. These rebates are credits allowed on taxpayers' 2020 tax returns that will be paid out in advance by the Treasury.

Each eligible individual will receive \$1,200 (\$2,400 for married couples filing jointly) plus an additional \$500 for each qualifying child. These rebates are intended for low- to middle-income individuals, so they are phased out for higher-income folks. For unmarried individuals, the credit begins to phase out at an AGI of \$75,000 and is fully eliminated at \$98,990. For those filing as head of household, the phase-out range is \$112,500 to \$136,490, and for married couples filing jointly, it is \$150,000 to \$197,990.

The Treasury will determine who will receive a check and the amount they are entitled to based on the individual's 2019 tax return. Where no 2019 return has been filed at the time of the rebate payment, the Treasury will use the 2018 tax return. For those who have not filed either a 2018 or 2019 return, the Treasury will provide a payment to individuals that received 2019 Social Security or Railroad Retirement benefits.

Where an advance rebate is more or less than allowed because an individual's filing status or family size is different in 2020 or the credit is subject to phase-out based on 2020 income, the adjustment is made on the 2020 tax return. Thus, individuals may be entitled to an additional credit or possibly have to pay back a portion of the payment they received. This means that individuals who otherwise wouldn't have a 2020 return filing requirement based on their income will likely have to file to reconcile their advance rebate with their actual credit.

The rebates will not be paid to individuals who are claimed as a dependent of another on a prior year return.

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CARES for Individuals

Penalty-Free Retirement Withdrawals

Penalty-free withdrawals from qualified retirement plans (including 401(k)s, TSAs, SEPs, and traditional IRAs) are allowed. The withdrawals are limited to \$100,000, and the income is taxable over a three-year period with an option to also recontribute the withdrawal over a three-year period.

RMD Waiver

There is a one-year waiver for the 2020 required minimum distribution (RMD) from qualified plans and traditional IRAs for taxpayers that turned 70.5 in a year before 2020 and those that turn 72 in 2020. This prevents them from having to take a distribution when the stock market is in decline.

Charitable Contributions

A suspension of charitable contribution limits applies for 2020. Generally, for cash gifts, tax-deductible charitable contributions are limited to 60% of adjusted gross income (AGI). The suspension of the limitation will allow taxpayers to make larger charitable contributions during this trying time. Also included is an above-the-line charitable deduction limited to \$300 of cash donations for those that don't itemize their deductions.

Student Loan Payments

Employees can exclude from income payments (Up to \$5,250) made before January 1, 2021, by their employers towards their student loans.

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CARES for Businesses

Payroll Deposits Delayed

In order to provide businesses with more financial resources to weather this epidemic, employers can delay payroll tax deposits for 2020 with 50% not due until December 31, 2021, and the balance due by December 31, 2022.

NOL Carryback Reinstated

Under the 2018 tax reform legislation (TCJA), a business net operating loss (NOL) was no longer allowed to be carried back to a prior year, had to be carried forward to the next tax year, and the carryforward loss deduction was limited to 80% of the carryforward year's taxable income. Under the CARES Act, carryback of losses incurred in 2018 through 2020 has been reinstated, and the 80% of taxable income limitation repealed. This is designed so businesses with financial problems can file for tax refunds from the carryback years when they were profitable and had paid income taxes.

Limitation on Losses

The legislation retroactively turns off the excess active business and farming loss limitation rules implemented as part of tax reform to apply after December 31, 2020, instead of after December 31, 2017.

Prior Year AMT Credit for Corporations

Allows corporations to claim 100% of AMT credits in 2019 as fully-refundable and provides an election to accelerate claims to 2018, with eligibility for accelerated refunds.

Limitation on Business Interest

Generally allows businesses to elect to increase the interest limitation from 30% of adjusted taxable income to 50% for 2019 and 2020 and allows businesses to elect to use 2019 adjusted taxable income in calculating their 2020 limitation.

Loan Guarantees and Subsidies

The CARE Act includes over \$300 billion for Small Business Administration (SBA) loan guarantees and subsidies and additional funding for SBA resources.

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Employee Retention Credit (ERC)

The Employee Retention Credit is available for business impacted by COVID-19.

- The ERC is a fully refundable tax credit for eligible employers.
- 50% of qualified wages paid to employees, including allocable qualified health plan expenses.
- Applies to qualified wages paid after March 12, 2020, and before January 1, 2021.
- The maximum amount of qualified wages, taken into account concerning each employee for all calendar quarters, is \$10,000.
- The tax credit is equal to 50 percent of qualified wages
- The maximum credit for qualified wages paid to any employee is \$5,000.
- Example: \$10,000 qualified wages paid time 50% equals \$5,000 refundable credit (per employee).

Does my business qualify to receive the Employee Retention Credit?

The credit is available to all employers regardless of size, including tax-exempt organizations. There are only two exceptions: State and local governments and their instrumentalities and small businesses that take small business loans.

Qualifying employers must fall into one of two categories:

1. The employer's business is fully or partially suspended by government order due to COVID-19 during the calendar quarter.
2. The employer's gross receipts are below 50% of the comparable quarter in 2019. Once the employer's gross receipts go above 80% of a comparable quarter in 2019, they no longer qualify after the end of that quarter.

These measures are calculated each calendar quarter.

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ECONOMIC INJURY DISASTER LOAN (EIDL) PROGRAM

The CARES Act made several changes to the Economic Injury Disaster Loan (EIDL) Program:

- EIDL Loans are available to small businesses to cover economic injury resulting from the COVID-19 disaster.
- EIDL Loans are processed directly through the SBA, although the SBA may determine to enlist the assistance of lenders for the processing and making of loans.
- EIDL Loans are available in a maximum amount of \$2 million, carry an interest rate of 3.75 percent, and have a maximum term of 30 years.
- Loans over \$200,000 must be guaranteed by any owner having a 20 percent or greater interest in the applicant (the CARES Act removed the requirement for personal guarantees on loans under \$200,000).
- The CARES Act also removed standard EIDL Program requirements that the borrower is not able to secure credit elsewhere or that the borrower has been in business for at least one year, as long as it was in operation on January 31, 2020.
- The applicant may request an expedited disbursement that is to be paid within three days of the request. The advance may not exceed \$10,000 and must be used for authorized costs but is otherwise not repayable if the EIDL Loan is not approved.
- NOTE: An applicant may receive an EIDL Loan and loans under other programs (such as the Paycheck Protection Program described below) as long as the basis for the loans/costs being paid with each is different (no "double-dipping"). For example, a company could use the EIDL for working capital and use the PPP for payroll assistance. There are no prepayment penalties for the EIDL or the PPP.

SBA is once again accepting applications through a new online system: <https://covid19relief.sba.gov/> Through this portal, you can request the \$10,000 forgivable loan. As of this writing (30 March 2020), this is the only way to access the \$10,000 forgivable loan. If a company accepts the \$10,000 forgivable loan and then accepts a loan under the Paycheck Protection Program (PPP), the amount of forgivable expenses will be reduced by \$10,000. If you received an EIDL loan related to COVID-19 between January 31, 2020, and the date at which the PPP becomes available, you would be able to refinance the EIDL into the PPP for loan forgiveness purposes.

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SMALL BUSINESS - PAYCHECK PROTECTION PROGRAM (PPP) OVERVIEW

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

Fully Forgiven Funds

Funds are provided in the form of loans that will be fully forgiven when used for payroll costs, interest on mortgages, rent, and utilities (due to likely high subscription, 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.

Must Keep Employees on the Payroll—or Rehire Quickly

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.

All Small Businesses Eligible

Small businesses with 500 or fewer employees—including nonprofits, veteran's organizations, tribal concerns, self-employed individuals, sole proprietorships, and independent contractors—are eligible. Businesses with more than 500 employees are eligible in certain industries. The maximum loan is 2.5 x Average total monthly payroll costs incurred during the year prior to the loan date. For businesses not operational in 2019, 2.5 x Average total monthly payroll costs incurred for January and February 2020.

When to Apply

Starting April 3, 2020, small businesses and sole proprietorships can apply. Beginning April 10, 2020, independent contractors and self-employed individuals can apply. We encourage you to apply as quickly as you can because there is a funding cap.

How to Apply

You can apply through any existing SBA 7(a) lender or 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. All loans will have the same terms regardless of the lender or borrower. A list of participating lenders, as well as additional information and full terms, can be found at www.sba.gov. The Paycheck Protection Program is implemented by the Small Business Administration with support from the Department of the Treasury. Lenders should also visit www.sba.gov or www.coronavirus.gov for more information.

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The team at Accounting Complete understands the difficulties that small businesses are facing today, and we are a resource to help not only survive but overcome today's challenge. We are answering the call to rise above!

We appreciate our clients and are here to assist!

Godspeed



The Accounting Complete Team

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