
PrestigePEO

April 22, 2020

COVID-19

We Are Here For You

Today's Presenters



Jason Flinn
Today's Moderator
and Director of
PrestigePEO Client
Services



Andrew Lubash
Founder and
Principal of Prestige
Employee
Administrators.



Thom Stohler
Vice President
Federal
Government Affairs
NAPEO



Carol Sawyer
Tax Manager at
PrestigePEO

Today's Topics



- Introduction by Andrew Lubash, PrestigePEO Founder and Principal
- Washington, DC Regulatory Update presented by Thom Stohler, VP of Federal Government Affairs
- PPP Loan Forgiveness Calculation Update
- Unemployment Refresher
- Frequently Asked Questions

- ❖ Webinar Forum
 - All participants are muted.
 - Please type questions in the side navigation panel and we will try to address most questions.
 - Today's presentation will be posted at <https://www.prestigepeo.com/covid-19/>.

Welcome Update Presented by Andy Lubash



- Andrew (Andy) Lubash is Founder and Principal of Prestige Employee Administrators.
- Andy currently holds several positions on National Association of Professional Employers Organization (NAPEO);
 - Chairman of Board of Directors
 - Member of the association's Federal Government Affairs Committee
 - Member of the Healthcare Committee
- Prior to that position, Andrew held the position of Chairman of NAPEO State Government Affairs Committee for five years.

Regulatory Update Presented by Thom Stohler



- Mr. Thom Stohler, Vice President, Federal Government Affairs National Association of Professional Employers Organizations (NAPEO)
- Mr. Stohler currently serves on the U.S. Chamber of Commerce Employee Benefits and Labor Relations Committees, as well as on the SHRM Labor Relations Committee.
- Thom served in the George W. Bush Administration as a Senior Legislative Officer and as Acting Assistant Secretary of Occupational Safety at OSHA.

Federal Legislative Update Presented by Thom Stohler

- **Legislation Enacted**
- **Current Activities**
- **Future Activities**



Federal Legislative Update Presented by Thom Stohler

- COVID -1: Funding for medical testing/prevention
- Families First Act
 - Emergency Family and Medical Leave/Sick Leave
 - Tax Credits
- CARES Act
 - Payroll Protection Plan
 - Payroll Tax Deferral
 - Section 127



Federal Legislative Update

Presented by Thom Stohler

- Regulatory Actions Taken—
 - Treasury – addresses PEOs/Clients with tax deferrals
 - Treasury/SBA – clarifies that PEO clients DO NOT have to provide 941/s to qualify for PPP loans
- Outstanding Item
 - Request for guidance on hardship claim for eFMLA

10. **Question:** What if an eligible borrower contracts with a third-party payer such as a payroll provider or a Professional Employer Organization (PEO) to process payroll and report payroll taxes?

Answer: SBA recognizes that eligible borrowers that use PEOs or similar payroll providers are required under some state registration laws to report wage and other data on

As of April 17, 2020

the Employer Identification Number (EIN) of the PEO or other payroll provider. In these cases, payroll documentation provided by the payroll provider that indicates the amount of wages and payroll taxes reported to the IRS by the payroll provider for the borrower's employees will be considered acceptable PPP loan payroll documentation. Relevant information from a Schedule R (Form 941), Allocation Schedule for Aggregate Form 941 Filers, attached to the PEO's or other payroll provider's Form 941, Employer's Quarterly Federal Tax Return, should be used if it is available; otherwise, the eligible borrower should obtain a statement from the payroll provider documenting the amount of wages and payroll taxes. In addition, employees of the eligible borrower will not be considered employees of the eligible borrower's payroll provider or PEO.

Federal Legislative Update Presented by Thom Stohler

- Current Activities
 - “COVID 3.5” – additional \$350B for PPP
 - Targeted funds for Community banks
- What’s next?
 - “COVID 4.0”
 - State re-openings

PPP Loan Forgiveness Calculation Update

PPP Loan Forgiveness



- The covered period is the eight weeks after the loan dispersed.
- The amount of the loan forgiveness will be reduced if there is a drop in number of employees in the covered period.
- The “head count” in the covered period is the average number of employees per month. That is compared to the head count for either of the following periods;
 - February 15, 2019 through June 30, 2019, OR
 - January 1, 2020 through February 29, 2020
- The borrower makes the election as to which period to use.

PPP Loan Forgiveness

Example

Period	<u>2/2019</u>	<u>3/2019</u>	<u>4/2019</u>	<u>5/2019</u>	<u>6/2019</u>
Employees	10	12	14	13	15
Monthly Average	$64 / 5 = 12.8$ (round to 13)				

Period	<u>1/2020</u>	<u>2/2020</u>
Employees	18	16
Monthly Average	$34 / 2 = 17$	

Covered Period	Month 1	Month 2
Employees	12	14
Monthly Average	$26 / 2 = 13$	

PPP Loan Forgiveness

Example

Period	<u>2/2019</u>	<u>3/2019</u>	<u>4/2019</u>	<u>5/2019</u>	<u>6/2019</u>
Employees	4	5	5	5	6
Monthly Average	$25 / 5 = 5$				

Period	<u>1/2020</u>	<u>2/2020</u>
Employees	7	7
Monthly Average	$14 / 2 = 7$	

Covered Period	Month 1	Month 2
Employee	5	5
Monthly Average	$10 / 2 = 5$	

PPP Loan Forgiveness

Salary Reduction Component

- Loan forgiveness will be reduced by the amount of any reduction in salary or wages during covered period in excess of 25 percent of the total salary or wages during the most recent full quarter the employee was employed before covered period.
- First quarter 2020 wage rates should be the baseline for comparison.
- This applies to employees that make less than \$100,000 annualized.
- Employees making in excess of \$100,000 per year will have the wage component limited to \$15,384.61 for the 8 week covered period.

PPP Loan Forgiveness

Forgiveness Application

- Lender is responsible for processing Forgiveness application.
- CARES act lists payroll tax returns for proof of payroll – expect that to change to accommodate PEO's as in the application process.
- Payroll register report will be used to show wage amounts.
- Benefit cost report
- For rent and utilities, cancelled checks, payment receipts, transcripts of accounts, other documents verifying payments.

Unemployment

Expanded Unemployment

Pandemic Unemployment Assistant Program

- The CARES Act expands unemployment assistance by creating a Pandemic Unemployment Assistance Program through 12/31/2020.
- The additional Unemployment Insurance law is broken down into three areas:
 - Pandemic Unemployment Assistance
 - Pandemic Unemployment Compensation
 - Pandemic Emergency Unemployment Compensation
- For weeks of unemployment, partial unemployment, or inability to work caused by COVID-19 between January 27, and December 31, 2020.

Expanded Unemployment

- Unemployment Insurance Eligibility
 - If you work less than four days in a week and earn \$504 or less, you may receive partial benefits.
- It's important to understand the difference between being out of work due to COVID-related health reasons versus being out of work due to lack of work or a business closure.
- What if my employee refuses to return to work when called upon because they are earning a higher “wage” while collecting unemployment benefits?

FAQs

FAQs

Can you take part in the FICA deferral program without applying for/receiving a PPP loan?

- Yes, employers can participate in the FICA deferral outside of the loan.

Can either choose to defer the FICA tax OR apply for payroll retention credit?

Can you do both?

- The PPP loan is the only thing that impacts the other two programs. Employers can use the retention tax credit and the Employer FICA Deferral. The deferral will be smaller if there is a retention tax credit.

FAQs

If we furlough employees for 7 weeks after getting the loan then hire them back in week 8, do we still get full loan forgiveness, or just forgiveness for the last week?

- You won't get full loan forgiveness based on the fact that you will have lowered wages. Proceeds are supposed to be used for 75% payroll and 25% fixed costs. We wouldn't suggest furloughing employees over the 8 week loan origination period.

Will Prestige be able to generate a payroll forgiveness report?

- A report similar to the loan report will be available for the specific 8 week covered period.

FAQs

Are part-time employees that were laid off that worked less than 20 hours apply for unemployment?

- Part-time employees may apply for unemployment. The state will make the final determination on their eligibility.

If you use the permitted 25% of the PPP for operating costs, is that amount forgiven? Or you will owe that amount back with interest?

- The loan proceeds spent on qualified operating costs will be forgiven up to 25% of the total loan amount.

FAQs

Is there a requirement to maintain the same employees, or does the "body count" have to be the same people?

- There cannot be an expectation for it to be the same people as there is natural turnover. It will be a count of employees as compared to the test periods discussed earlier.

Please explain more fully how a PPP loan intersects with an EIDL with the \$10K grant.

- The amount of the EIDL grant will reduce the PPP loan forgiveness amount.

FAQs

Am I eligible for the extended unemployment benefits if I have already used all of my unemployment benefits?

- Yes, any one whose exhausted their 26 weeks of unemployment insurance after July 1, 2019 is eligible to receive 13 additional weeks of unemployment benefits.

I have a compromised immune system and I'm concerned about my health because of how many people I work around. Would I be eligible for unemployment benefits if I left my job?

- Generally, employees are not eligible for unemployment insurance if they voluntarily leave their job. However, we always suggest communication with your employer about your concerns.

Questions



COVID-19 Communications

- Daily support from your HRBPs, Payroll, Benefits, Compliance, & Retirement Specialists
- Weekly email updates
- Online COVID-19 resource center [PrestigePEO.com/COVID-19](https://www.prestigepeo.com/COVID-19)
- PrestigeGO mobile app to link directly to your dedicated support team



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