



# QUESTCO

## *COVID-19 News & Updates*

Our webinar will begin promptly at 2 PM CST

- Please keep video off and remain muted to preserve bandwidth and connectivity for all.
- Call quality is best using telephone audio rather than computer audio.
- To ask a question, you'll need to locate and use the Chat feature at the bottom right of the Zoom window.
- Please continue to reach out to your Client Success Manager (CSM) with additional questions.

*Thank you for joining us!*

## COVID-19: Recent Developments

### Speakers:

- *Wendy Katz, CFO, Questco*
- *Brandon Hartsaw, COO Questco*

### Agenda:

- Welcome / Session Introduction
- FFCRA Developments
- Payroll Tax Relief Memorandum
- PPP Loan Forgiveness Update
- Q&A

August 14, 2020

- 1 NY Federal Court Ruling (August 3, 2020 decision still being argued in the courts including jurisdiction applicability)**
  - Decision to strike down the work availability requirement under both the extended sick leave act and the extended FMLA (removing the requirement that there needs to be work available for an employee requested leave pay)
  - Vacated the DOL's definition of "health care provider" paving the way for certain employees in the health care industry to qualify for FFCRA leave
  - Invalidates the DOL requirement for documentation submission in advance of qualifying for FFCRA leave
  - Vacates the requirement that an employee secure employer consent for intermittent leave
  
- 2 Increased Employer flexibility for extended leave approval**
  - Extended sick leave for absences related to COVID symptoms / exposure to infected patients
  - Childcare challenges due to variable and constantly fluxing school schedules
  - Intermittent leave requests should be approved if employee work schedules can accommodate
  - Paid leave and employer share of medical premiums offset by FFCRA tax credit
  
- 3 Employee health benefit coverage can continue during work furloughs as long as entire premium is collected**
  - Relaxed eligibility requirements are still in place and there are no minimum required hours to continue benefit coverage. Approved timeframes differ from carrier to carrier; frequently being extended as the pandemic continues

# President's Payroll Tax Relief for Employees

Future guidance / legislative changes could impact this information.  
Please continue to monitor updates from Questco.

August 14, 2020

**On August 8, 2020, the President issued an executive memorandum that directs the Secretary of Treasury to implement a delay of certain employees' obligations to pay Social Security taxes.**

**The memorandum applies to the period September 1, 2020 through December 31, 2020**

- If approved, will go into effect in two weeks

**The memorandum only applies to the 6.2% Social Security tax on employees**

- FICA has 2 components: Social Security tax and Medicare tax; only the Social Security tax portion is deferred
- Previously Congress allowed employers to defer payment of the employer portion of Social Security taxes; this attempts to provide a similar benefit for employee portion

**The memorandum only applies to employees generally earning less than \$104,000 annually**

- As written, defers withholding of Social Security tax on employees whose wages during any bi-weekly period is less than \$4,000
- How will eligibility be determined for employees who received less than \$4,000 in some bi-weekly periods but more than that in others (i.e., those employees who work on commission or work more hours in some periods)

**The memorandum only provides a delay of the tax obligation, not forgiveness**

- Employees remain liable for such Social Security taxes unless action is taken to permanently eliminate the taxes
- No indication of how long the deferral period will be or how the deferred taxes will be collected
- If deferral is made permanent, how will that impact the solvency of the Social Security program as a whole

# President's Payroll Tax Relief for Employees (continued)

Future guidance / legislative changes could impact this information.  
Please continue to monitor updates from Questco.

August 14, 2020

## It is unclear whether employers are *required* to take advantage of the delay

- Secretary of Treasury confirmed that the payroll tax deferral would be **optional** for employers

## The memorandum does not address what an employer should do if they decide to continue withholding payroll taxes

- Should the employer send such withheld amounts to the IRS?
- If the deferral is voluntary, what if an employee wants the deferral but the employer refuses to offer it?
- Doing so may be prudent given the potential that employees being paid this fall may no longer be employed when the delay expires

## No penalties or interest shall apply to those who use the delay

- What are the reporting requirements for employers to submit deferred tax liabilities?
- It is unclear how the liability for the deferral will be applied to the employee who takes the deferral

## There is no relief with respect to employers' withholding obligation

- Severe penalties generally apply to employers (including the PEO) who do not withhold the employee portion of Social Security taxes from their employees' pay, which include officer liability who can be held personally liable

# Actions Needed to Prepare for Tax Relief Act

Future legislation changes could impact this information.  
Please continue to monitor updates from Questco.

August 14, 2020

Congress and the Trump Administration are still negotiating on a potential tax relief measure and until IRS guidance on the deferment is issued, no decision on whether not to halt Social Security withholding should be made.

Questco is taking the following steps to ensure preparedness for the final outcome:

- ➔ Closely monitoring the situation along with our national industry association (NAPEO) who is working with Treasury officials to ensure concerns are presented to those responsible for writing the guidance to interpret the memorandum.
- ➔ Our PrismHR developers are working on a solution to accommodate the order with the limited information available today to enable the designation of employees eligible for deferral and to capture deferred values during payroll processing under a separate tax code.
- ➔ New developments will be communicated to clients in an expeditious manner.
- ➔ If your employees inquire about “deferring” their share of Social Security taxes as part of their paychecks, we recommend a simple response: ***We are awaiting official guidance and will follow the law.***

# PPP Loan Forgiveness Application – What We Know and What We Don't Know

Future guidance / legislative changes could impact this information.  
Please continue to monitor updates from Questco.

August 14, 2020

In a July 23, 2020 Procedural Notice, the SBA announced that the PPP Forgiveness Platform would go live and begin accepting Lender submissions on August 10, 2020, *subject to any extension if new legislative amendments to the forgiveness process necessitate changes to the system.*

- No indication that the opening of the SBA portal was delayed

## Timing for approval of forgiveness applications has not changed

- Lenders have up to 60 days to review and approve borrower's forgiveness application and submit to SBA
- SBA has up to 90 days to review lender's submission of forgiveness application and confirm forgiveness amount
- If borrower submits loan forgiveness application within 10 months of completion of the Covered Period, the borrower is not required to make any payments until the forgiveness amount is remitted to the lender by the SBA and lender notifies borrower of final decision
- Recently announced appeal process states that an appeal by the PPP borrower of any SBA loan review decision does not extend the deferral period of the PPP loan repayment

## No changes have been made to the PPP loan forgiveness application or the simplified "EZ" application

- Forms and instructions issued on June 16, 2020 remain applicable

**There has been no additional guidance on the calculation of \$100,000 annual salary cap for borrowers electing to use a 24-week covered period and submitting their loan forgiveness application prior to the end of 24 weeks**

# PPP Loan Forgiveness - Owner Compensation

Future legislative changes could impact this information.  
Please continue to monitor updates from Questco.

August 14, 2020

- 1 Owner-employee / Self-employed individual's compensation for forgiveness purposes is generally capped at:
  - For 8-week covered period: lesser of 8 weeks of 2019 comp or \$15,385
  - For 24-week covered period: lesser of 2.5 months of 2019 comp or \$20,833
- 2 C-Corp owner-employees are eligible for loan forgiveness up to their capped 2019 employee cash compensation. Borrowers are also eligible for loan forgiveness for payments for employer state and local taxes, retirement and health insurance contributions made on their behalf
- 3 S-Corp owner-employees are capped by the amount of their 2019 employee cash compensation. Borrowers are also eligible for employer retirement contributions made on their behalf, but NOT employer health insurance contributions made (those are already included in cash comp).
- 4 Schedule C or F filers are capped by the amount of owner compensation replacement, calculated based on 2019 net profit
- 5 General partners are capped by amount of 2019 net earnings from self-employment (reduced by Section 179 deduction, unreimbursed partnership expenses, and depletion from oil and gas properties) multiplied by 0.9235
- 6 LLC Owners must follow the instructions that apply to how their business was organized for tax filing purposes for tax year 2019, or if a new business, the expected tax filing situation for 2020.

# PPP Loan Forgiveness Reporting Needs

Future legislative changes could impact this information.  
Please continue to monitor updates from Questco.

August 14, 2020

## → FTE Reporting

- FTE report that compares FTE count during covered period to FTE count during measurement period (2/15/19 - 6/30/19 or 1/1/20 - 2/29/20)
- Designed to measure FTE count at **end of 8-week or 24-week period** to compute ratio
- Can run FTE report for custom time period to account for loan forgiveness period duration between 8 and 24 weeks and safe harbor calculations, if required
- Due to complexities of the FTE calculation and the nuances of each borrower's specific situation, Questco has elected to not set these up as "self-serve"

## → Loan Forgiveness Calculation / Application Instructions

- Will provide instructions on how to complete loan forgiveness application, referencing information available from reports generated out of PrismHR
- Target distribution date: August 19, 2020

## → PPP Loan Forgiveness Tracking Report

- Loan tracking report has been modified to track eligible payroll costs for 24-week covered period or alternative period
- Report **includes** owner-employee payroll costs; will need to notify Questco if costs should be segregated

## → PPP Loan Forgiveness Reporting Needs Requests

- Submit requests to Client Success Manager or Payroll Coordinator

August 14, 2020

# Questions

**\*Please remain muted and use the Chat feature.**



## CONTACT US

**Thank you!**

As always, please reach out to your Client Success Manager with any additional questions.

 **By Phone:** +1-800-256-7823

 **Our Resource Page:** <https://info.questco.net/covid-19-resource-page>

 **Location:** The Woodlands, TX 77380