



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: Financial Relief Program Update

Speakers:

- *Jason Randall, CEO Questco*
- *Wendy Katz, CFO Questco*
- *Brandon Hartsaw, COO Questco*

Agenda:

- CARES Act Update – What We Know / What We Don't Know
 - PPP Loan Program
 - Employee Retention Credits
 - Social Security Tax Deferral
- Evolving Reporting Enhancements
- Q & A

CEO WELCOME

QUESTCO IS HERE TO SUPPORT OUR CLIENTS

Accelerated, amplified communication flow to ensure you are aware of
and compliant with all regulations....even those that are just hours old.

Guidance, information and enhanced reporting to help you keep your
doors open and your people paid.

Paycheck Protection Program

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

May 8, 2020

What We Know

Designed for small businesses under 500 employees, including full and part time

- Loan forgiveness based on full-time equivalents (FTE)

8-week covered period starts from date of first disbursement of funds from lender

- Loan proceeds must be issued within 10 days of notification of approval (SBA loan number issued)

Can be forgiven if at least 75 percent of loan proceeds spent on wages / 25 percent spent on rent, utilities, mortgage interest (contract / service beginning before February 15)

- Only covers cash compensation up to \$100k annualized (\$15,835 in 8-week period)
- Excludes: compensation paid to employees with principal residence outside U.S. and wages paid under paid sick or family leave provisions of FFCRA
- Borrower must “apply” for loan forgiveness

Need to maintain headcount for full forgiveness based on two possible time periods

- Average monthly FTE’s from February 15, 2019 – June 30, 2019 **or** January 1, 2020 – February 29, 2020
- Compared to average monthly FTE during the 8-week covered period
- Need to rehire employees that were laid off but employees that refuse rehire offer do not count

Need to retain salary / wages of at least 75% of pre-COVID levels

- Amount of salary / wages paid **per employee** over 8-week covered period must be at least 75% of average monthly salary / wages paid to employee during the most recent quarter prior to 8-week period; dollar for dollar reduction in loan forgiveness for any change greater than 25%

May 8, 2020

What We Don't Know

How will full-time equivalents be computed

- Loan forgiveness based on full-time equivalents
- ??? Hours worked / measurement period (what # hours = full time)
- What if employees quit during the loan forgiveness period

Definition of “costs incurred and payments made” unclear

- “Costs incurred” suggests an accrual or liability measurement
- “Payments made” suggests a cash basis approach
- Currently recommending cash basis tracking until SBA issues final guidance

Will expenses forgiven be deductible

- Amount forgiven is not taxable
- Recent IRS guidance indicates that borrower will not be able to deduct expenses covered under a forgiven PPP loan

May 8, 2020

Certification Requirements

Recently issued FAQ's clarify requirements for borrower to certify that "current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant"

- 1 Understanding at time of loan application
 - Met size and ownership qualifications
 - Maximized loan request based on calculation criteria provided
- 2 Reassessment
 - Economic uncertainty definition
 - Ability to access additional capital funding
- 3 Repayment option
 - Employer can repay the loan proceeds in full if they determine they do not meet the certification guidance
 - Repayment date for safe harbor is May 14, 2020
- 4 SBA review of individual PPP loan files (additional guidance to follow)
 - To ensure PPP loans are limited to eligible borrowers in need
 - Loans in excess of \$2MM will be reviewed following the lender's submission of the borrower's loan forgiveness application.

May 8, 2020

Maximizing Loan Forgiveness

PPP loan recipients should carefully consider options for maximizing loan forgiveness...maintain payroll and headcount

- 1 Short Payroll Period
 - Include first payroll issued in the covered period (regardless of when wages earned)
 - Make additional payroll on last day of covered period if missing all incurred costs
- 2 Restoring Headcount / In-sourcing
 - Rehire, add on to meet business needs / replace employees on FFCRA paid leave
 - Hire 1099 independent contractors (cannot change status post 8-week period)
- 3 Raise Wages
 - Restore wages /pay back wages for returning furloughed employees
 - Consider special bonus for hazard pay or attendance
 - Accelerate annual bonus / PTO buy-back policy
 - Consider \$100k wage cap
- 4 Increase Benefits (follow SBA guidance on non-ordinary course payments)
 - Contribute or accelerate payments to employee HSA accounts
 - Optional contributions to retirement programs

May 8, 2020

What We Know

Tax Credit for “qualified wages” paid between March 13 and December 31, 2020

- Credit limited to 50 percent of \$10,000 in qualified wages (\$5,000 tax credit)
- Includes qualified health benefits; not subject to \$5,000 limit

Qualifying requirements

- Either full or partial closure by government or 50 percent drop in revenue from same quarter prior year
- Employers under 100 employees can take on all wages
- Employers over 100 employees can take only for wages paid for not performing services
- Employers that use PEOs can claim the credit

Cannot receive ERC if employer receives PPP loan

- Employer that receives PPP loan may not receive ERC regardless of whether and when the loan is forgiven
- If employer **repays** the PPP loan by May 14, 2020 will be eligible for ERC

Social Security Tax Deferral

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

May 8, 2020

What We Know

Tax deferral of employer Social Security taxes between March 27 and December 31

- Applies to all deposits and payments of the employer's share of Social Security tax that would otherwise be required to be made March 27 – December 31 (payroll tax deferral period)

Deferred Social Security taxes must be deposited by the following dates

- On December 31, 2021, 50% of deferred amount
- On December 31, 2022, remaining 50%

Employers eligible for refundable paid leave credits or Employee Retention Credit can defer Social Security taxes

Employers can defer Social Security taxes prior to forgiveness of PPP loan

- Employer who received PPP loan may defer deposit and payment of employer's share of Social Security taxes through the date the lender issues a decision to forgive the loan

Helpful Links

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May 8, 2020

Paycheck Protection Program Loans:

<https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Frequently-Asked-Questions.pdf>

Employee Retention Program:

<https://www.irs.gov/newsroom/faqs-employee-retention-credit-under-the-cares-act>

Social Security Tax Deferral:

<https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Frequently-Asked-Questions.pdf>

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Enhancements to COVID-19 Reporting Functionality Under Review

- ➔ FFCRA Leave Estimate Reporting (average hours / average wages)
- ➔ Credit Tracking
- ➔ PPP Loan Forgiveness Tracking Report (cumulative to date vs. current pay period)
- ➔ FTE Calculation for Headcount Retention Requirement
- ➔ Retro Adjustments for Health Care Credits (ERC)
- ➔ Social Security Tax Deferral Tracking
- ➔ Employee Tax Credit Allocation by Location or Division

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