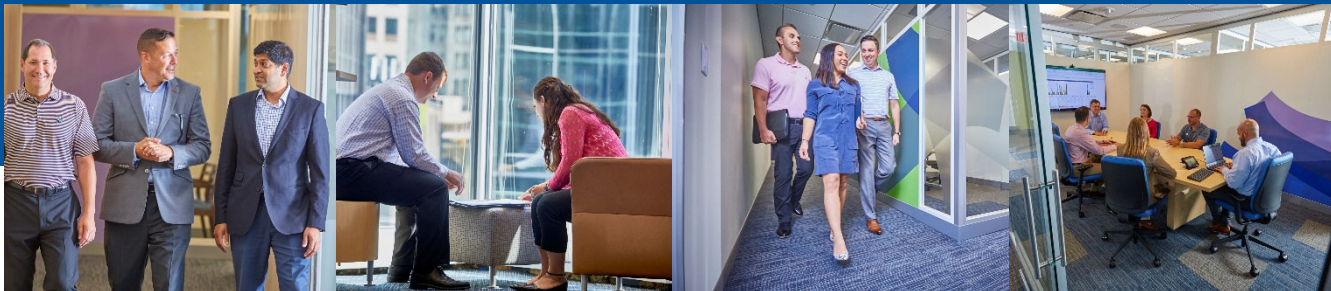




SCHNEIDER DOWNS

Big Thinking. Personal Focus.

Welcome Ohio Trucking Association COVID-19 Legislation Explained



Presented by:
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April 2, 2020

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Big Thinking. Personal Focus.

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Tax Shareholder



Carl has more than 13 years of professional tax experience in public accounting, serving many privately-held and family-owned transportation & logistics companies.

Carl has extensive knowledge in federal, state and local compliance and consulting matters, including strategic tax planning, restructuring, credits and incentive, and exit planning.

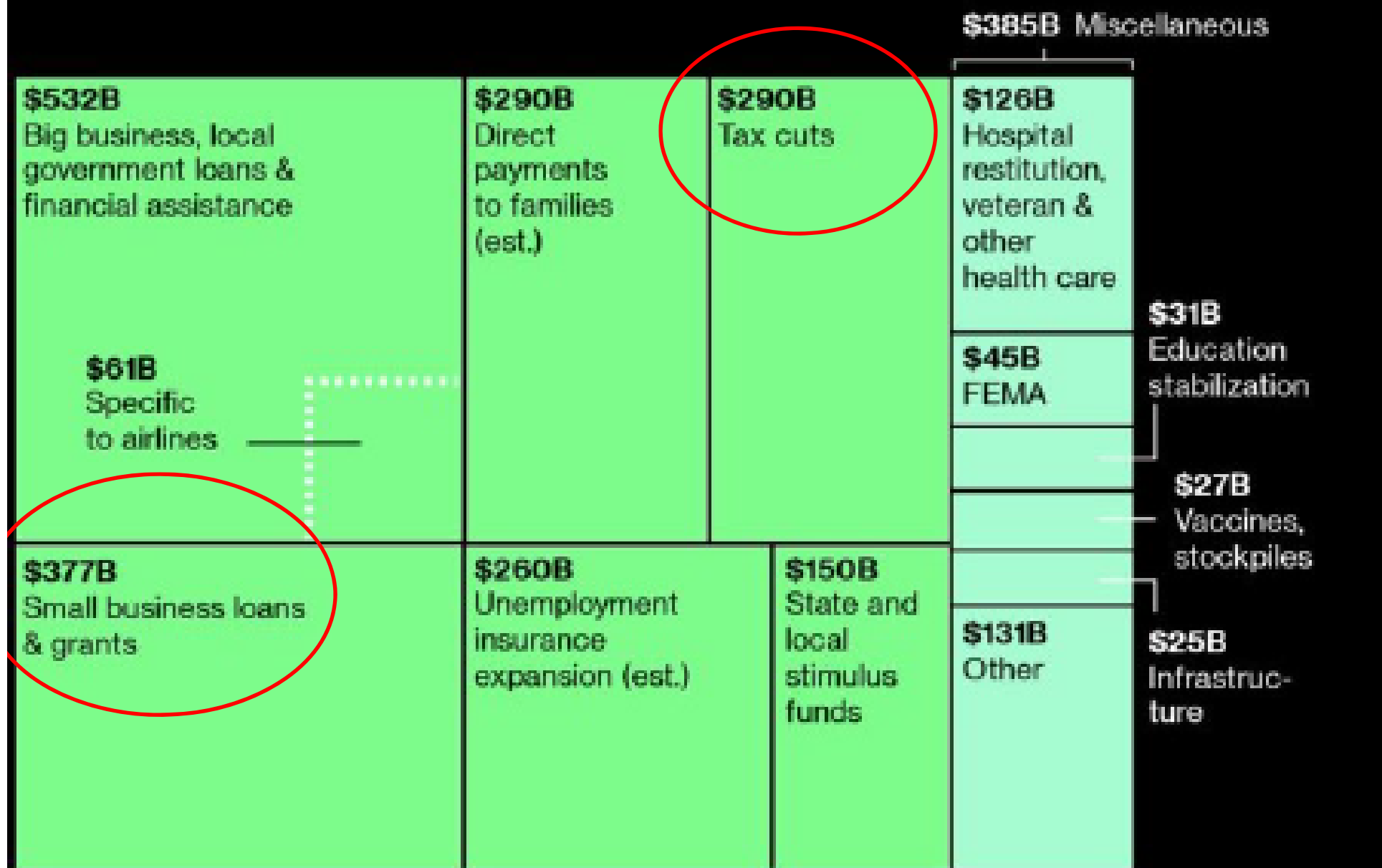
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Agenda

- **Coronavirus Aid, Relief, and Economic Security Act (CARES Act)**
 - Paycheck Protection Program – SBA 7a Loan
 - Employee Retention Credit Program
 - Payroll Tax Deferral Program
 - Income tax provisions
- **Moderated Questions – Submit to Questions through Chat**
- **Wrap-Up**

Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

Where \$2 Trillion in U.S. Rescue Funds Will Go



Source: U.S. Senate, Committee for a Responsible Federal Budget, Bloomberg research

Bloomberg

Paycheck Protection Program (PPP) Loans

- Under the Small Business Administration (SBA)
 - \$349B in Funds Available
 - Eligible recipients may qualify for a loan up to \$10 million
 - Loan payments will be deferred for six months.
 - If you maintain your workforce, SBA will forgive the portion of the loan proceeds that are used to cover the first 8 weeks of payroll and certain other expenses following loan origination.

Paycheck Protection Program (PPP) Loans

- Eligibility
 - Business impacted by COVID-19
 - Less than 500 employees
 - Includes sole proprietors, independent contractors and self-employed
 - Certain industries may have more than 500, if meet SBA size standards
 - General Freight Trucking - \$30M annual receipts
 - Were you in business prior to February 15, 2020?
 - Watch out for affiliation rules!

Paycheck Protection Program (PPP) Loans

- Loan Basics/Features
 - Loan amount is 2.5 x average monthly payroll for the last 12 months, not to exceed \$10M
 - Interest rate is .5%, fixed
 - Loan due in 2 years
 - Deferral of Interest and Principal for 6 months
 - No personal guarantees
 - No collateral, nonrecourse
 - No fees for application
 - No prepayment penalty

Paycheck Protection Program (PPP) Loans

- Payroll costs defined for Employers
 - salary, wage, commission, or similar compensation (capped at \$100,000 on an annualized basis);
 - payment of cash tip or equivalent;
 - payment for vacation, parental, family, medical, or sick leave;
 - allowance for dismissal or separation;
 - payment required for the provisions of group health care benefits, including insurance premiums;
 - payment of any retirement benefit; or
 - payment of state or local tax assessed on the compensation of employees

Paycheck Protection Program (PPP) Loans

- Payroll costs defined for Independent Contractors/Carriers
 - Any compensation to or income that is a wage, commission, income, net earnings from self-employment, or similar compensation and that is in an amount that is not more than \$100,000 in one year, as pro-rated for the covered period.

Paycheck Protection Program (PPP) Loans

- Documentation
 - Lenders will also ask you for a good faith certification that:
 1. The uncertainty of current economic conditions makes the loan request necessary to support ongoing operations
 2. The borrower will use the loan proceeds to retain workers and maintain payroll or make mortgage, lease, and utility payments
 3. Borrower does not have an application pending for a loan duplicative of the purpose and amounts applied for here
 4. From Feb. 15, 2020 to Dec. 31, 2020, the borrower has not received a loan duplicative of the purpose and amounts applied for here (Note: There is an opportunity to fold emergency loans made between Jan. 31, 2020 and the date this loan program becomes available into a new loan)

Paycheck Protection Program (PPP) Loans

- Loan Forgiveness
 - Based upon 8-week period starting with origination of loan
 - Proceeds must be used for -
 - Payroll Costs, as previously defined (slide 9) - \$100k cap
 - Payment of interest of mortgage obligation
 - Rent
 - Utilities (electricity, gas, water, transportation, telephone, or internet)
 - Interest on previous debt
 - 75% of proceeds must be used for payroll costs

Paycheck Protection Program (PPP) Loans

- Loan Forgiveness Reductions
 - Reduction could occur if
 1. Reduction in number of FTEs, OR
 2. Reduction in GREATER than 25% in wages paid to employees
 - FTE reduction
 - Avg per Month FTE's 8-week period / Avg per Month FTEs Feb. 15, 2019 to June 30, 2019
 - Salary reduction
 - Employees under \$100k with greater than 25% wage reduction (annualized)

Paycheck Protection Program (PPP) Loans

- When can you apply?
 - Friday, April 3rd - Small business and sole-proprietors
 - Friday, April 10th – Independent contractors and Self-employed individuals

<https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Application-3-30-2020-v3.pdf>.

Employee Retention Payroll Tax Credit

- Refundable payroll tax credit
 - Up to \$5,000 for each employee
 - For wages paid after March 12, 2020 and before January 1, 2021
- Certain conditions must be met:
 - Organization was carrying on a trade or business during calendar year 2020
 - Trade or business is fully or partially suspended
 - Drop in at least 50% of revenue in any quarter of 2020 compared to the same quarter of 2019

Employee Retention Payroll Tax Credit

- What are qualified wages?
 - Less than 100 employees
 - All wages to all employees count during furlough or “drop in receipts” period
 - More than 100 employees – COMPLICATED
 - Count only wages paid to someone who was NOT providing services during furlough or “drop in receipts” period
- Eligible wages
 - Includes qualified health plan expenses allocable to wages but to extent amounts are excluded from employee’s gross income
- *Credit not available if an organization is receiving Small Business Interruption Loan – Paycheck Protection Program

Employer Payroll Tax Payment Deferral

- Available to all employers including self-employed individuals
- Effective for payment due dates after March 27, 2020
- Deferral of employer share of social security tax (6.2%)
- Does not apply to employer share of Medicare taxes
- NO deferral of employee withholdings
 - Trust Fund Recovery Penalty (TFRP) applies
- 50% of deferred taxes will be due on December 31, 2021
- Balance of deferred taxes will be due on December 31, 2022

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Changes to Interest Limitation Rules

- **Old Law:**
 - Beginning in 2018, the “business interest expense” of many businesses is limited to 30% of a new term of ATI, “adjusted taxable income.”
- **New Law:**
 - For 2019 and 2020, the 30% of ATI floor is increased to 50%.
 - For a partnership, the 30% limit still applies for 2019, but
 - Any excess business interest allocation to the partner:
 - 50% of the interest is freed up in 2020 and not subject to limitation
 - 50% is subject to the same limitations as under current law.
 - In 2020, a taxpayer can elect to use 2019 ATI.

Changes to Net Operating Loss Rules

- **Old Law:**
 - Beginning in 2018, net operating losses could not be carried back, only carried forward
 - Carried forward NOL could only offset 80% of taxable income
- **New Law:**
 - Net operating losses for 2018, 2019 and 2020 can be carried back up to five years and offset 100% of income back and forwards until 2021

Changes to Individual Loss Rules

- **Old Law:**
 - For 2018-2025, “excess business losses” of an individual were limited to \$250,000 (if single; \$500,000 if married filing jointly)
 - Wages counted as business income.
- **New Law:**
 - Limitation above were suspended for 2018, 2019 and 2020
 - In 2021 rule kicks back in and wages will NOT count

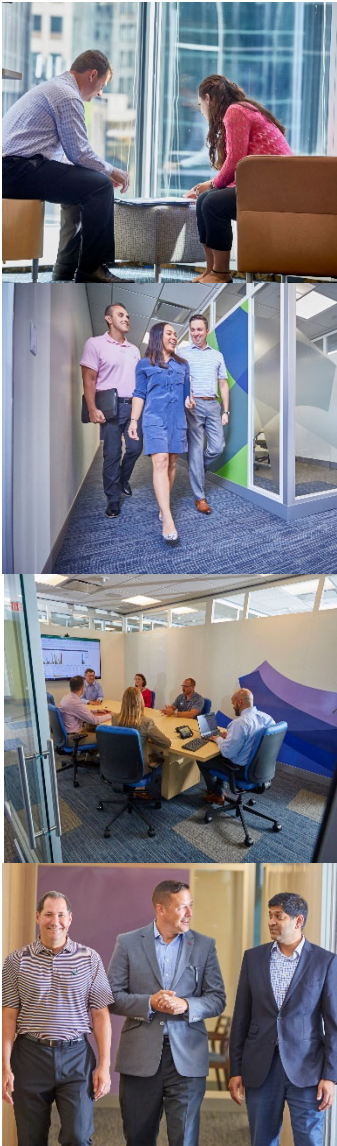
Qualified Improvement Property

- **Old Law:**
 - 39 year property not eligible for 100% bonus depreciation
- **New Law:**
 - 15 year life and eligible for 100% bonus depreciation (retroactive to 2018 tax year)

Stimulus Payments

- \$1,200 per Single (\$2,400 MFJ)
- \$500 per dependent/child
- Phase-out begins \$75k Single (\$150k MFJ)
- MFJ - \$2,400 credit fully phased out at \$198k
 - 5% for every \$100 taxable income in excess of \$150k
- Initial checks based off of 2019 return
 - If 2019 not filed, will rely on 2018
- Credit computation on 2020 return, if greater – reduces taxes, if lower – no repayment
- Payments to go out within 3 weeks and those with direct deposit will likely get first

Questions



COVID-19 Updates

For up-to-date information on legislation,
please visit our firm's COVID-19 resource page:

<https://www.schneiderdowns.com/our-thoughts-on/category/Coronavirus>