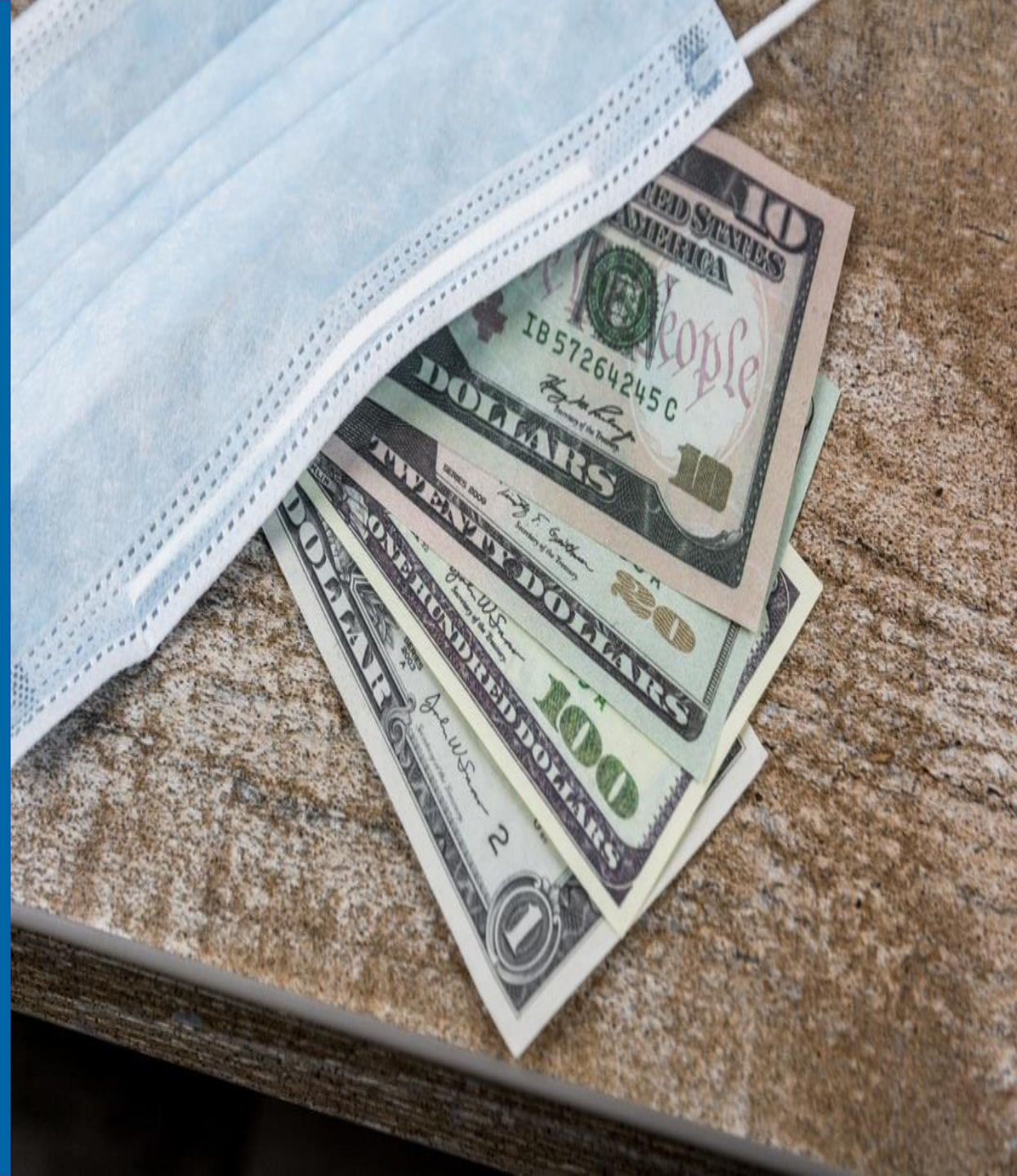


Understanding ARPA: PPP, Tax Credits and Upcoming Legislation

Presented March 30, 2021

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Agenda

- Introduction and overview
- FFCRA/Sick Pay
- COBRA
- PPP Extension & 2nd Draw Loans
- ERC
- Upcoming legislation overview
- Q&A





American Rescue Plan Act (ARPA)



American Rescue Plan Act (ARPA) Overview

ARPA is a broad piece of legislation that covers everything from stimulus checks and vaccine support to new PPP funds, tax credits and much more.

Here are the highlights of what we will talk about today:

- FFCRA/Sick Pay
- COBRA Subsidies
- PPP Updates and Second Draw Loans
- ERC

Keep in mind, areas of ARPA are likely to be updated with additional guidance. Proposed legislation is likely to evolve before passing into law. We are watching these and will update you on how they may affect you.



Paid Sick Leave



Extension of Tax Credits for COVID-19 Paid Leave

Providing FFCRA paid sick leave is still voluntary as of 1/1/2021

- Check local requirements for mandatory supplemental paid covid leave

Time Extension

- Changes and tax credit extension apply to qualifying leave taken from 4/1 – 9/30/2021

Paid Sick Leave Expansion and Reset

- New additional reasons for paid sick leave, paid at 100% up to stated limits:
- To obtain a Covid-19 immunization
- To recover from an illness or condition related to the immunization
- For employees seeking or awaiting results of a diagnostic test for, or a medical diagnosis of, Covid-19 and was either exposed to Covid-19 or the employer requested such test or diagnosis
- 10 day limitation resets April 1; unused hours do not carryover

Expanded Family and Medical Leave Extension and Expansion

- Claim the credit for leave provided for any of the Covid leave reasons
- Credit increased from \$10,000 to \$12,000 per employee

Non-Discrimination Requirement

- No credit permitted if discrimination

California COVID-19 Supplemental Paid Sick Leave

SB 95 signed 3/19/2021

- California employers with 25+ employees nationally
- Retroactive to 1/1/2021 and through 9/30/2021

Hours

- Full-time employees = 80 hours
- Not full-time = based on schedule and length of employment

Eligibility

- No length of service requirement

Eligible Reasons: (1) Caring for Yourself (2) Caring for a Family Member (3) Vaccine-Related

Pay

- Employee's regular rate of pay (Sick-C19Self)
- Capped at \$511 per day/\$5,110 total (same as federal tax credit)
- Employees may request retroactive payments for eligible 2021 unpaid leave
- Previously provided supplemental paid sick leave in 2021 may count

Notice:

- Mandatory notice: <https://www.dir.ca.gov/dlse/2021-COVID-19-Supplemental-Paid-Sick-Leave.pdf>
- Written notice of available leave balances



COBRA

COBRA Subsidies

ARPA includes a subsidy that covers 100% of the COBRA premiums for the period beginning April 1, 2021 through September 30, 2021:

- This is only for eligible individuals who have state or federal continuation of coverage rights after an involuntary termination or reduction in hours. How does this impact you as an employer?
- Employers will pay the full premium to the carrier for fully insured plans or pay to cover them on a self-insured plan.
- Employers can recover premiums with a payroll tax credit against.

How does this impact COBRA eligible/Continuation of Coverage individuals?

- The affected beneficiaries will pay nothing during the subsidy period.
- Anyone separated from employment for the terms noted, will have the option to enroll prospective as of April 1, 2021.



PPP Update & Second Draw Loans



Paycheck Protection Program (PPP) Changes

CAA was \$284B & ARPA was \$7.25B...more than \$290B total.

Here are some of the highlights of the updated program:

- PPP loans are not included in taxable income.
- You can deduct expenses that were paid with your forgiven PPP loan with no restrictions.
- Companies that were “hard hit” can qualify for a second round of PPP money.
- Companies with NAICS Code that begins with 72 (i.e. restaurants) can apply for 3.5x.
- The CAA extends PPP until March 31st. The PPP Extension Act, which is awaiting the president’s signature, will extend application submissions until May 31st; SBA has an additional 30 days to finalize timely applications.
- The PPP Extension Act does not provide additional funding. In just over two months, the SBA approved more than 3.1 million loans totaling nearly \$196 billion. The SBA suggests that at this rate, the PPP should have enough funding to last through mid-April.

Qualifying for Second Draw PPP

A borrower is generally eligible for a Second Draw PPP Loan if the borrower:

- Previously received a First Draw PPP Loan & will or has used the full amount only for authorized uses
- Has no more than 300 employees; **and**
- Can demonstrate a min 25% reduction in gross receipts between comparable quarters in 2019 & 2020.
- \$2M maximum loan (\$10M total with first PPP loan).
- Some lenders are requiring the submission of a forgiveness app for PPP1 to apply for PPP2.

Hard hit defined:

Small companies & non-profits with 300 or fewer employees that can show a 25% loss of gross receipts during any quarter of 2020, when compared to 2019, which totals 2.5 times the average monthly payroll up to \$2 million, are in this category and allowed to re-apply for PPP funds.

All Second Draw PPP Loans will have the same terms regardless of lender or borrower.*

- [PPP Second Draw Borrower Application Form](#) (updated 03-03-21)
- [PPP Second Draw Borrower Application Form for Schedule Filers Using Gross Income](#)

**We will make the official app links available after the webinar along w/resources*

Employee Retention Tax Credit (ERC)



Employee Retention Tax Credit

ERC Details

The Employee Retention Tax Credit (ERC) has been expanded through Dec 31, 2021 with the following increases, starting January 1, 2021:

- Increased credit rate from 50% to 70%
- Increases per-employee creditable wages to \$10,000 per quarter
- Makes it easier to get the credit by lowering the limit for declining YoY gross receipts from 50% to 20%
- Changes the definition of “large employer” for determining the qualified wage based from 100 to 500 employees
- beginning 7/1/21 the credit is no longer applied against Social Security, rather Medicare

Note: If you received PPP funds, you are no longer restricted from participating in ERTC, but you’re only allowed to use the wages that were not paid with forgiven PPP proceeds. COVID related sick pay wages are not allowed, they are already credited back under the FFCRA.

Additional Tax Credit Details

Keep in mind, not all wages may qualify for the credit. Only wages paid during the period of time you are eligible for the credit under either of the following two criteria:

1. You are fully/partially shut down due to a COVID-19 related government order.
2. Your 2021 revenue was reduced by 20% in a quarter all compared to the corresponding quarter of 2019.

Unlike the Sick Pay credit, the nature of the eligibility and calculation requires a historical review. Once determined, credits are to be applied to future payrolls until fully used.



Legislation Update

Biden Administration Stimulus

Biden Administration 1.9 Trillion Stimulus package includes:

- \$8.75 billion to federal, state, local, territorial and tribal public-health agencies for distributing, administering and tracking vaccinations.
- Pandemic Emergency Unemployment Compensation program for those receiving traditional state UI, supplement of \$300-per-week. (Through Sept 6)
- Pandemic Unemployment Assistance program provides benefits to freelancers, gig workers, independent contractors outside of traditional state UI.
- Waives fed income taxes for the first \$10,200 of unemployment benefits received in 2020 for households earning under \$150,000.

Biden Administration Stimulus (cont)

- Federal workers, including postal workers, to take as many as 600 hours of emergency paid leave related to Covid-19.P
- \$25 billion to the restaurant industry (small & midsize restaurants and chains) in the form of grants that don't need to be repaid. Can be used for operating expenses, including payroll, rent and providing personal protective equipment to employees.
- Federal min wage removed from the bill but is an issue that will return in post-relief legislation along with FMLA and universal paid sick days.

Moving Forward Act

H.R. 2, the Moving Forward Act, is a more than \$1.5 trillion plan. Passed by house, not yet signed into law.

- Proposes over \$1.5 trillion to rebuild infrastructure: Roads, bridges, and transit systems along with schools, housing, broadband access and more.
- Includes \$300 billion for roads and bridges specifically .
- \$100 billion for in transit, zero emissions technology.
- Additional areas of funding include **clean energy**, \$30 billion to **health care infrastructure** (upgrade hospitals etc.), **community development**, \$100 billion into our nation's **affordable housing infrastructure**.

Federal Legislative Landscape

Protect the Right to Organize (PRO Act)

- Changes classification of Independent Contractors, essentially making California's AB5 a national law (ABC Test/ CA AB 5).
- Repeals all right to work laws in the 27 states they currently exist.
- Strengthen unions ability to organize workers.
- Includes new civil penalties for labor law violations and end mandated individual arbitration, opening the door for increases in class action lawsuits.



Want More Info?

Watch for the follow-up email to this webinar for additional information, including :

- Presentation Download
- Webinar Recording
- Links to info discussed during this webinar
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