

Coronavirus Relief – Overview, Filing Specifications, and Legislative/Administrative Updates

September 15, 2020

John Myett, Director Government Affairs

ADP, Inc.

Disclaimer

This presentation is not:

- Legal advice
- The final word on today's topics
- A political opinion

Before Taking Any Actions

Before taking any actions on the information contained in this presentation, employers should review this material with internal and/or external counsel.

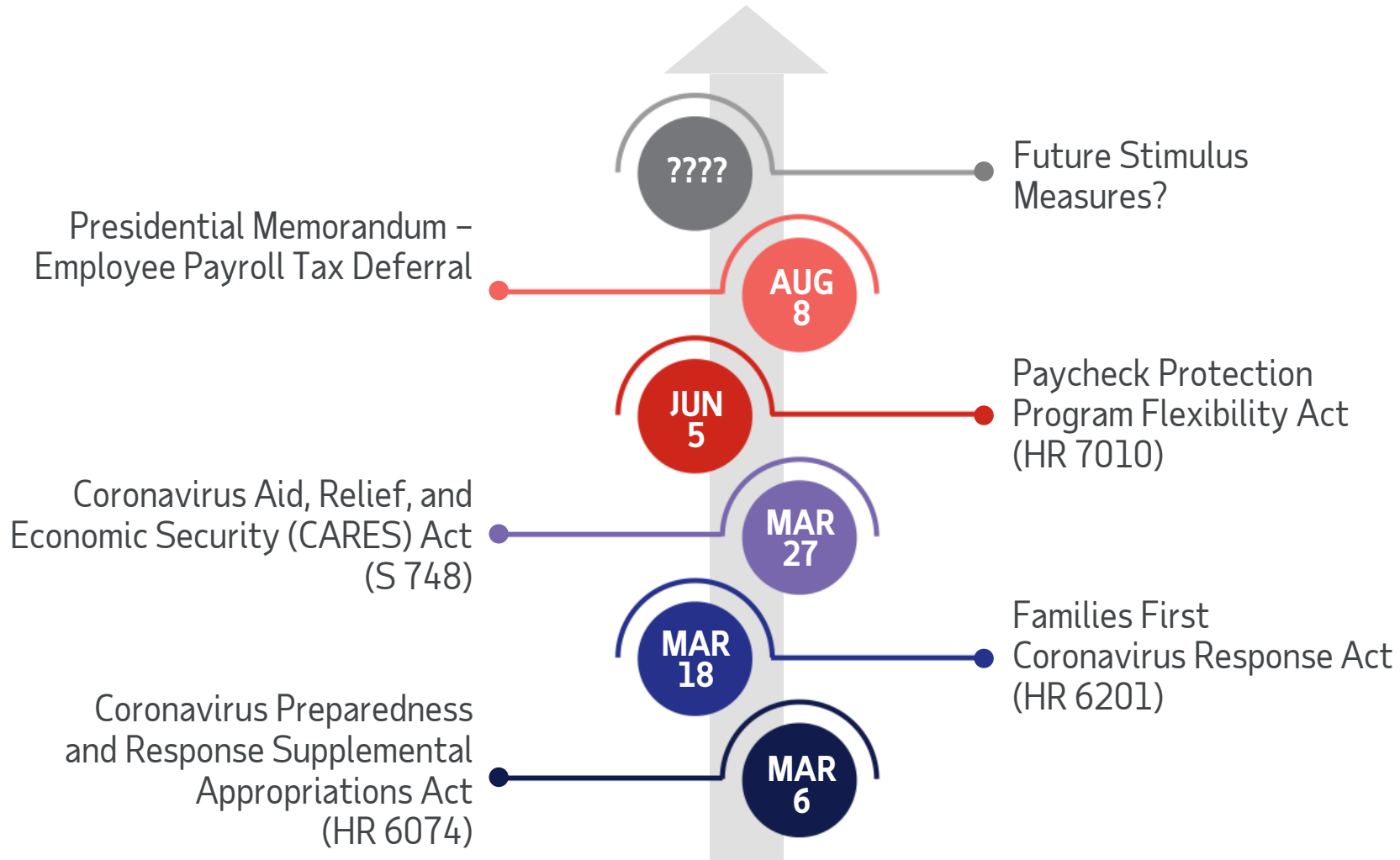
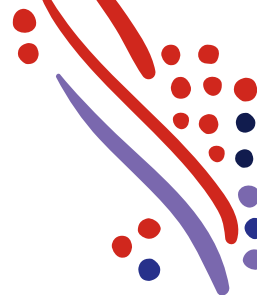
Today's Presenter



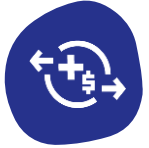
John Myett
Director of Government Affairs
ADP, Inc.

John is responsible for developing and maintaining collaborative relationships with the IRS, SSA, and other government bodies and agencies. He has 30 years of experience managing these relationships and focusing on employment tax compliance with 23 years working for the IRS, most recently as the National Account Manager for the IRS's payroll and practitioner partners.

Coronavirus Relief Legislative Timeline



Tax Implications



Emergency Paid Sick & Family Leave (FFCRA)

- Credit for paid sick & family leave payments due to COVID-19
- For eligible employers, the credit can be used to offset the employer share of Social Security taxes, with any remaining credit being available to offset all other employment tax liabilities (e.g. FIT)
- No double-dipping



Employer Social Security Tax Deferral

- Available to all employers. Employers may defer payment of their share of all Social Security taxes.
- The deferred amounts must be repaid to IRS in two 50% installments, due December 31, 2021 and December 31, 2022 respectively

Tax Implications (continued)



Advance Payment of Employer Credits (Form 7200)

- Available to employers that otherwise qualify for either of the credits provided for by the FFCRA and CARES acts.
- Allows employers to request an advance from IRS in anticipation of the credits they will qualify for during the quarter.
- Reconciles against the actual credits claimed when Form 941 is filed at the end of the quarter.



Paycheck Protection Program (PPP)

- Makes loans available to eligible small businesses with 500 or fewer employees.

CARES Act Employee Retention Credit (ERC)



- The CARES Act (Sec 2301) ERC is a 50% tax credit for the first \$10,000 of qualified wages (max \$5,000) per employee.
- Includes the employer costs of maintaining a health plan allocable to the qualified wages per employee.
- The credit is applied against the employer's share of Social Security taxes with the excess amount refunded. This refund can be used to reduce the deposits for other tax liabilities.
- The credit only applies to wages paid between March 13, 2020 and December 31, 2020.

ERC Business Eligibility

Private employers, including non-profits, carrying on a trade or business in 2020 that meet one of the following conditions:



Have operations fully or partially suspended as a result of orders from an appropriate governmental authority limiting commerce, travel, or group meetings due to COVID-19



Experience a decline in gross receipts by more than 50% in a calendar quarter compared to the same quarter in 2019 (eligibility ends when gross receipts in a quarter exceed 80% compared to the same 2019 quarter)

Qualifying for the ERC



Eligible Business

- Operations suspended – fully or partially – due to governmental order
- 50% decline in receipts compared to the same quarter, 2019



Eligible Wages

- **All** wages qualify for businesses with 100 or fewer employees
- Wages paid to employees not providing services qualify for businesses over 100 employees

How to Claim the Credit



- The credit is a refundable credit claimed on the employer's Form 941, filed at the end of each calendar quarter.
- The new Form 7200, on which an employer can provide an estimate of its credit for the calendar quarter and request an advance payment of the credit.
- The retention credit can also be claimed by an employer who is electing to defer its share of Social Security taxes.

Employer identification number (EIN) -

Name (not your trade name)

Trade name (if any)

Address
Number Street Suite or room number

City State ZIP code

Foreign country name Foreign province/country Foreign postal code

Report for this Quarter of 2020
 (Check one.)

1: January, February, March

2: April, May, June

3: July, August, September

4: October, November, December

Go to www.irs.gov/Form941 for instructions and the latest information.

Read the separate instructions before you complete Form 941. Type or print within the boxes.

Part 1: Answer these questions for this quarter.

1	Number of employees who received wages, tips, or other compensation for the pay period including: <i>June 12 (Quarter 2), Sept. 12 (Quarter 3), or Dec. 12 (Quarter 4)</i>	1	<input type="text"/>
2	Wages, tips, and other compensation	2	<input type="text"/>
3	Federal income tax withheld from wages, tips, and other compensation	3	<input type="text"/>
4	If no wages, tips, and other compensation are subject to social security or Medicare tax <input type="checkbox"/> Check and go to line 6.		
	Column 1	Column 2	
5a	Taxable social security wages	<input type="text"/> × 0.124 =	<input type="text"/>
5a (i)	Qualified sick leave wages	<input type="text"/> × 0.062 =	<input type="text"/>
5a (ii)	Qualified family leave wages	<input type="text"/> × 0.062 =	<input type="text"/>
5b	Taxable social security tips	<input type="text"/> × 0.124 =	<input type="text"/>
5c	Taxable Medicare wages & tips.	<input type="text"/> × 0.029 =	<input type="text"/>
5d	Taxable wages & tips subject to Additional Medicare Tax withholding <input type="text"/>	× 0.009 =	<input type="text"/>
5e	Total social security and Medicare taxes. Add Column 2 from lines 5a, 5a(i), 5a(ii), 5b, 5c, and 5d	5e	<input type="text"/>
5f	Section 3121(q) Notice and Demand—Tax due on unreported tips (see instructions)	5f	<input type="text"/>
6	Total taxes before adjustments. Add lines 3, 5e, and 5f	6	<input type="text"/>
7	Current quarter's adjustment for fractions of cents	7	<input type="text"/>
8	Current quarter's adjustment for sick pay	8	<input type="text"/>
9	Current quarter's adjustments for tips and group-term life insurance	9	<input type="text"/>
10	Total taxes after adjustments. Combine lines 6 through 9	10	<input type="text"/>
11a	Qualified small business payroll tax credit for increasing research activities. Attach Form 8974	11a	<input type="text"/>
11b	Nonrefundable portion of credit for qualified sick and family leave wages from Worksheet 1	11b	<input type="text"/>
11c	Nonrefundable portion of employee retention credit from Worksheet 1	11c	<input type="text"/>

You MUST complete all three pages of Form 941 and SIGN it. Next



Part 1: Answer these questions for this quarter. (continued)

11d	Total nonrefundable credits. Add lines 11a, 11b, and 11c	11d	<input type="text"/>
12	Total taxes after adjustments and nonrefundable credits. Subtract line 11d from line 10	12	<input type="text"/>
13a	Total deposits for this quarter, including overpayment applied from a prior quarter and overpayments applied from Form 941-X, 941-X (PR), 944-X, or 944-X (SP) filed in the current quarter	13a	<input type="text"/>
13b	Deferred amount of the employer share of social security tax	13b	<input type="text"/>
13c	Refundable portion of credit for qualified sick and family leave wages from Worksheet 1	13c	<input type="text"/>
13d	Refundable portion of employee retention credit from Worksheet 1	13d	<input type="text"/>
13e	Total deposits, deferrals, and refundable credits. Add lines 13a, 13b, 13c, and 13d	13e	<input type="text"/>
13f	Total advances received from filing Form(s) 7200 for the quarter	13f	<input type="text"/>
13g	Total deposits, deferrals, and refundable credits less advances. Subtract line 13f from line 13e	13g	<input type="text"/>
14	Balance due. If line 12 is more than line 13g, enter the difference and see instructions	14	<input type="text"/>
15	Overpayment. If line 13g is more than line 12, enter the difference <input type="text"/>	Check one: <input type="checkbox"/> Apply to next return. <input type="checkbox"/> Send a refund.	

Part 2: Tell us about your deposit schedule and tax liability for this quarter.

If you're unsure about whether you're a monthly schedule depositor or a semiweekly schedule depositor, see section 11 of Pub. 15.

16 Check one: Line 12 on this return is less than \$2,500 or line 12 on the return for the prior quarter was less than \$2,500, and you didn't incur a \$100,000 next-day deposit obligation during the current quarter. If line 12 for the prior quarter was less than \$2,500 but line 12 on this return is \$100,000 or more, you must provide a record of your federal tax liability. If you're a monthly schedule depositor, complete the deposit schedule below; if you're a semiweekly schedule depositor, attach Schedule B (Form 941). Go to Part 3.

You were a monthly schedule depositor for the entire quarter. Enter your tax liability for each month and total liability for the quarter, then go to Part 3.

Tax liability: Month 1	<input type="text"/>
Month 2	<input type="text"/>
Month 3	<input type="text"/>
Total liability for quarter	<input type="text"/> Total must equal line 12.

You were a semiweekly schedule depositor for any part of this quarter. Complete Schedule B (Form 941), Report of Tax Liability for Semiweekly Schedule Depositors, and attach it to Form 941. Go to Part 3.

▶ You MUST complete all three pages of Form 941 and SIGN it.

Next ▶▶

Name (not your trade name)

Employer identification number (EIN)

Part 3: Tell us about your business. If a question does NOT apply to your business, leave it blank.

- 17 If your business has closed or you stopped paying wages Check here, and enter the final date you paid wages / / ; also attach a statement to your return. See instructions.
- 18 If you're a seasonal employer and you don't have to file a return for every quarter of the year Check here.
- 19 Qualified health plan expenses allocable to qualified sick leave wages 19 .
- 20 Qualified health plan expenses allocable to qualified family leave wages 20 .
- 21 Qualified wages for the employee retention credit 21 .
- 22 Qualified health plan expenses allocable to wages reported on line 21 22 .
- 23 Credit from Form 5884-C, line 11, for this quarter 23 .
- 24 Qualified wages paid March 13 through March 31, 2020, for the employee retention credit (use this line only for the second quarter filing of Form 941) 24 .
- 25 Qualified health plan expenses allocable to wages reported on line 24 (use this line only for the second quarter filing of Form 941) 25 .

Part 4: May we speak with your third-party designee?

Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details.

Yes. Designee's name and phone number

Select a 5-digit personal identification number (PIN) to use when talking to the IRS.

No.

Part 5: Sign here. You MUST complete all three pages of Form 941 and SIGN it.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.



Sign your name here

Print your name here

Print your title here

Date / /

Best daytime phone

Paid Preparer Use Only

Check if you're self-employed

Preparer's name

PTIN

Preparer's signature

Date / /

Firm's name (or yours if self-employed)

EIN

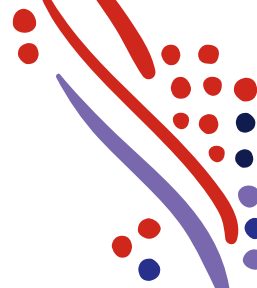
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Phone

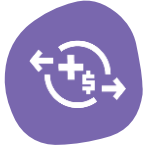
City

State

ZIP code



Restrictions & Dependencies



Emergency Paid Sick & Family Leave (FFCRA)

- Credit is reduced by any small business research credit, qualified veterans credit, and the paid family and medical leave credit
- Credit can be combined with the Employee Retention Credit, the employer SS tax deferral, and loans under the PPP



Paycheck Protection Program (Loan Program)

- Combinable with the employer SS tax deferral (per the PPPFA) but not the Employee Retention Credit
- Limits on use of funds

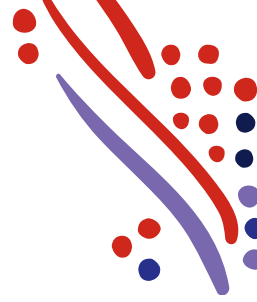
Restrictions & Dependencies (continued)



Employer Social Security Tax Deferral

- Deferral can be used in combination with the Employee Retention Credit and the emergency paid sick and medical leave credits
- Loan applicants under the PPP are now allowed to take the deferral, following the passage of the PPPFA, regardless of whether the loan has been forgiven.
- Keep in mind that a deferral is not a forgiveness of tax, and the deferred balance will need to be paid to IRS as prescribed

Restrictions & Dependencies (continued)



Employee Retention Credit

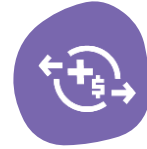
- Employers who receive a loan through the Payroll Protection Program of the CARES Act are ineligible for the ERC.
- Employers may not claim the same employee for this credit and the Work Opportunity Tax Credit for the same period.
- Employers may not claim the same wages for an employee under this credit and also under the emergency sick and family medical leave credit.

Legislative & Administrative Updates



Presidential Memorandum re: Employee Social Security Tax Deferral

- Provides for a deferral of the employee share of SS tax.
- Effective Dates – September 1, 2020 through December 31, 2020
- Deferral is not a forgiveness of liability.
- IRS guidance pending.



Future Legislation

- Future COVID-19 relief legislation is unknown at this time
- Legislation required to forgive amounts of employee SS taxes deferred, and/or establish repayment criteria.
- Other stimulus measures

Part 1: Answer these questions for this quarter. (continued)

11d Total nonrefundable credits. Add lines 11a, 11b, and 11c 11d

12 Total taxes after adjustments and nonrefundable credits. Subtract line 11d from line 10 12

13a Total deposits for this quarter, including overpayment applied from a prior quarter and overpayments applied from Form 941-X, 941-X (PR), 944-X, or 944-X (SP) filed in the current quarter 13a

13b Deferred amount of social security tax 13b

13c Refundable portion of credit for qualified sick and family leave wages from Worksheet 1 13c

13d Refundable portion of employee retention credit from Worksheet 1 13d

13e Total deposits, deferrals, and refundable credits. Add lines 13a, 13b, 13c, and 13d 13e

13f Total advances received from filing Form(s) 7200 for the quarter 13f

13g Total deposits, deferrals, and refundable credits less advances. Subtract line 13f from line 13e 13g

14 Balance due. If line 12 is more than line 13g, enter the difference and see instructions 14

15 Overpayment. If line 13g is more than line 12, enter the difference Check one: Apply to next return. Send a refund.

Part 2: Tell us about your deposit schedule and tax liability for this quarter.

If you're unsure about whether you're a monthly schedule depositor or a semiweekly schedule depositor, see section 11 of Pub. 15.

16 Check one: Line 12 on this return is less than \$2,500 or line 12 on the return for the prior quarter was less than \$2,500, and you didn't incur a \$100,000 next-day deposit obligation during the current quarter. If line 12 for the prior quarter was less than \$2,500 but line 12 on this return is \$100,000 or more, you must provide a record of your federal tax liability. If you're a monthly schedule depositor, complete the deposit schedule below; if you're a semiweekly schedule depositor, attach Schedule B (Form 941). Go to Part 3.

You were a monthly schedule depositor for the entire quarter. Enter your tax liability for each month and total liability for the quarter, then go to Part 3.

Tax liability: Month 1

Month 2

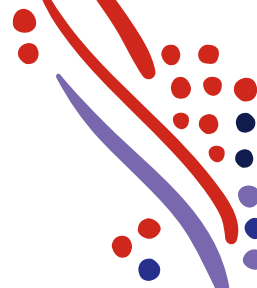
Month 3

Total liability for quarter Total must equal line 12.

You were a semiweekly schedule depositor for any part of this quarter. Complete Schedule B (Form 941), Report of Tax Liability for Semiweekly Schedule Depositors, and attach it to Form 941. Go to Part 3.

▶ You MUST complete all three pages of Form 941 and SIGN it.

Next ▶



Name (not your trade name)

Employer identification number (EIN)

Part 3: Tell us about your business. If a question does NOT apply to your business, leave it blank.

- 17 If your business has closed or you stopped paying wages Check here, and enter the final date you paid wages / / ; also attach a statement to your return. See instructions.
- 18 If you're a seasonal employer and you don't have to file a return for every quarter of the year Check here.
- 19 Qualified health plan expenses allocable to qualified sick leave wages 19 .
- 20 Qualified health plan expenses allocable to qualified family leave wages 20 .
- 21 Qualified wages for the employee retention credit 21 .
- 22 Qualified health plan expenses allocable to wages reported on line 21 22 .
- 23 Credit from Form 5894-C, line 11, for this quarter 23 .
- 24 Deferred amount of the employee share of social security tax included on line 13b 24 .
- 25 Reserved for future use 25 .

Part 4: May we speak with your third-party designee?

Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details.

Yes. Designee's name and phone number

Select a 5-digit personal identification number (PIN) to use when talking to the IRS.

No.

Part 5: Sign here. You MUST complete all three pages of Form 941 and SIGN it.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.



Sign your name here

Print your name here
Print your title here

Date / /

Best daytime phone

Paid Preparer Use Only

Check if you're self-employed

Preparer's name

PTIN

Preparer's signature

Date / /

Firm's name (or yours if self-employed)

EIN

Address

Phone

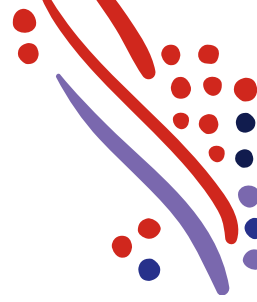
City

State

ZIP code



DRAFT AS OF August 28, 2020 DO NOT FILE





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