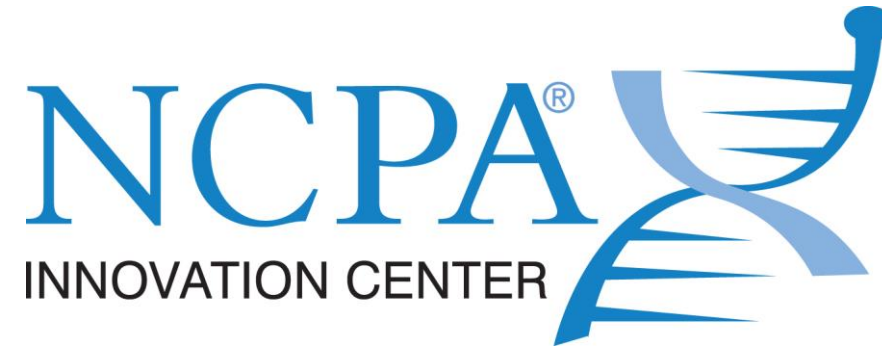




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The NCPA Innovation Center thanks Compliant Pharmacy Alliance for its generous support of additional informational webinars during these extraordinary times.



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# How the CARES Act Can Help Improve Cash Flow and How to Act on It

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# Topics

- Families First Coronavirus Act
  - Emergency Paid Sick Leave Act
  - Emergency Family & Medical Expansion Act
  - Tax Credits for Paid Sick and Medical Leave
- Tax Season Postponement
- Section 139
- CARES Act
- HSA/FSA Changes
- TCJA – Cash Accounting

# Timeline

- March 3<sup>rd</sup> – Federal Reserve cuts interest rates to 0%
- March 6<sup>th</sup> – Coronavirus Preparedness and Response Supplemental Appropriations Act
- March 13<sup>th</sup> – President Trump issues emergency declaration under the Stafford Disaster Relief and Emergency Assistance Act
- March 18<sup>th</sup> and 20<sup>th</sup> – IRS Notice 2020-17 and IRS Notice 2020-18
- March 18<sup>th</sup> – Families First Coronavirus Response Act
- March 27<sup>th</sup> – Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

# Families First Coronavirus Act – Family Leave

- Families First Coronavirus Act amends Family and Medical Leave Act and adds a new reason - qualifying need related to a public health emergency - to Family and Medical Leave
- Check “qualifying reasons” for Family and Sick Leave under this amendment
- Employers with fewer than 500 employees are required to provide 10 weeks of family and medical leave to an eligible employee if the employee is required to miss work to care for a child that is impacted by COVID-19
- Effective date 4/1/2020
- **Exemptions may apply for those with fewer than 50 employees and healthcare businesses**

# Families First Coronavirus Act – Family Leave

- Employers must provide 10 weeks of Emergency Family and Medical Leave at two-thirds employee's rate up to a maximum of \$200/day and \$10,000 over a 12 week period for an employee
- This leave is not subject to Social Security tax 6.2%
- Employee may not be required to get their job back
- Employees who are eligible to telework are not eligible

# Families First Coronavirus Act – Paid Sick

- Families First Coronavirus Act amends Family and Medical Leave Act and **expands** paid sick leave
- Employers with fewer than 500 employees are required to provide 2 weeks of paid sick leave to an eligible employee (any employee) if the employee is unable to work or telework **because employee** is quarantined or experiencing COVID-19 symptoms **OR** employee is unable to work or telework **because of the need to care for others** due to COVID-19 (see previous slides FMLA)
- Employer must pay 2 weeks pay at the employee's regular rate of pay not more than \$511/day and \$5,110/two weeks **OR**
- Employer must pay 2 weeks pay at two-thirds regular rate of pay not to exceed \$200/day and \$2,000/two weeks


# Families First Coronavirus Act – Payroll Credits

- Employers who pay family or sick leave from 4/1/2020 to 12/31/2020 are eligible for a payroll tax credit to offset employer's portion of Social Security tax of 6.2%, **immediately**
- Credit amount is the total of wages paid for family or sick leave plus 1.45% Medicare tax on family leave and sick pay plus employer cost of group health care costs for employee
- Excess is refundable to the employer
- Can't double dip with a deduction and credit

# Families First Coronavirus Act – Resources


[www.ncpa.org/coronavirus-information](http://www.ncpa.org/coronavirus-information)


- [Addressing COVID Safety and Personnel Issues webinar](#)
- [Pharmacy Employer Guidance](#)



### If Owner or Employee is Exhibiting COVID-19 Symptoms

- Perform enhanced cleaning and disinfection after owner or employee is suspected/confirmed to have COVID-19.
- Continue to routinely clean and sanitize all frequently touched surfaces in the pharmacy, such as workstations, keyboards, telephones, countertops, restrooms, shared spaces, doorknobs, etc.
- Pharmacy must have a sufficient stock of soap, hand sanitizer, and other supplies for employees to regularly sterilize throughout the day.



WWW.NCPA.ORG

### Pharmacy Employer Guidance

#### Overview

As the Coronavirus continues to spread across the country, the likelihood that one of your employees will test positive for COVID-19 increases. While some guidelines for this scenario exist, there are few one-size-fits-all recommendations. Each state and locale will have different requirements and consequently, each pharmacy or practice setting will need to respond differently. Below are some best practices for prevention as well as some recommendations on what to do if an employee tests positive (+) for the virus. In addition, you can visit the NCPA Coronavirus Resource Center (<https://ncpa.org/coronavirus-information>) for additional information.

#### Prevention

- Stay current on Coronavirus activity in your area.
- Prepare for a worse-case scenario. Run through as many "What happens if..." strategies as you can think of and ensure each employee knows what to do in each case.
  - Identify pharmacists on current staff who could fill in your absence with little to no notice.
  - Compile a duties and responsibilities document so staff will know exactly what is expected/required.
  - Cross train personnel.
- Create a Reserve by identifying potential pharmacists and other staff who could assist in the event of an emergency.
  - Contact other pharmacists in your area who would be willing to work to prevent a potential emergency closing.
  - Contact your state pharmacy association for a list of pharmacists and technicians looking for hours.
  - Contact local schools of pharmacy to solicit student help. APPE students needing hours to meet graduation requirements may be interested and willing to assist. For more information, visit <https://www.covidbestpractices.com/act>.
- Have a sick leave policy in place for all employees.
- Sanitize regularly (wipe down everything); consider setting a timer to remind employees to wash hands and wipe down commonly touched surfaces hourly. Refer to the CDC "[Environmental Cleaning and Disinfecting Recommendations](#)."
  - Treat everything coming into the pharmacy as infectious and limit the number of individuals handling items that haven't been sanitized. The virus can live on different surfaces for a number of hours to days. Identify a holding area for incoming deliveries if not able to sanitize immediately.
- Employees should wear gloves, if available. Employees should wear masks if interacting face-to-face with patients. For example, masks and gloves should be worn to administer vaccines.
- If space allows, place barrier table or clear shower curtain in front of the pharmacy counter to ensure at least 6 ft separation between staff and patients.
- Utilize drive thru/curbside pick-up/home delivery to reduce risk of in-store exposure.
  - Use senior living tools (i.e. The Grabber) at drive-thru window
  - Consider placing meds on hood of car to minimize face-to-face interaction with curbside pick-up
- Employees may write COVID-19 on signature pad on behalf of patients when allowed by PBMs.
- Monitor employees daily for symptoms.
- Implement split team approach if staffing levels permit to limit staff exposure with each other. Consider assigning staff to one workstation during shift to minimize community spread.

[www.ncpa.org/coronavirus-information](http://www.ncpa.org/coronavirus-information)

# Tax Season Postponement

- IRS Notice 2020-17 – Tax Payment Relief
- IRS Notice 2020-18 – Tax Filing Relief
- Any taxpayer including individuals, trusts, estates, corporations and other business entities that have a tax return due 4/15/2020 now have an automatic extension to file and pay by 7/15/2020
- First quarter estimated tax payments due 7/15/2020
- Second quarter estimated tax payments due 6/15/2020

# Tax Season Postponement

- Relief does not include payroll taxes under this extension
- Fiscal year filers be careful!
- Extension includes funding for IRA, HSA and certain qualified plans
- Check your individual states for payment and filing relief
- Taxpayers expecting refunds should file
- Can always file early and pay later

# Tax Season Postponement - Resources

- <https://www.irs.gov/newsroom/filing-and-payment-deadlines-questions-and-answers>
- [www.irs.gov/coronavirus](https://www.irs.gov/coronavirus)
- [www.dol.gov/coronavirus](https://www.dol.gov/coronavirus)
- [www.taxadmin.org/state-tax-agencies](https://www.taxadmin.org/state-tax-agencies)
- <https://www.aicpa.org/content/dam/aicpa/advocacy/tax/downloadabledocuments/coronavirus-state-filing-relief.pdf>

# IRS Code Section 139

- Been in existence since 2002, not part of new legislation
- Applies under any “federally declared disaster” – ***President Trump has not made a formal federally declared disaster declaration. Assumption is made that the IRS is treating the Stafford Act as a federally declared disaster and the IRS has supported that with answers in the recent Q&A updates.***
- Allows employers to make “qualified disaster relief payments” to employees
- **Payments are tax free to employees and fully deductible by employers**

# IRS Code Section 139

- Payment **must** be to reimburse or pay employee for reasonable and necessary personal, family, living or funeral expenses as a result of the federally declared disaster (COVID-19)
- Payments must **not** be designed as compensation, sick pay, insurance reimbursement and/or paid leave
- Expenses that **may** meet the definition of “qualified disaster relief payments”
  - Medical expenses not reimbursed or covered by insurance
  - Expenses to work from home
  - Childcare or tutoring costs
  - Funeral costs

# IRS Code Section 139

- Documentation is not required but highly encouraged to prove to the IRS your intent to comply with the Code Section:
  - Develop an accountable plan including policy period, guidelines, eligible expenses, amounts paid and to whom etc.
  - More details and documentation the better

# CARES Act

- \$2 TRILLION dollar stimulus/relief
- Designed to inject major funds into the economy
- Many tax provisions in addition to small business relief
- [NCPA Member Summary available:  
http://www.ncpa.co/pdf/ncpa-member-summary-cares-act.pdf](http://www.ncpa.co/pdf/ncpa-member-summary-cares-act.pdf)



www.ncpa.org

## NCPA Member Summary of the CARES Act

High-level summary of relevant provisions for small business community and long-term care pharmacists contained in the *Coronavirus Aid, Relief and Economic Security (CARES) Act*. President Trump signed the CARES Act into law on March 27, 2020.

### NCPA advocacy at work for you

NCPA successfully lobbied for immediate, readily accessible credit to small business community pharmacies to ensure they have the cash to pay their workers, rent, and other costs during this crisis.

NCPA successfully lobbied to restore the ability of small business community pharmacies to carryback any net operating losses against previous year tax payments.

### Sec. 1102 – Paycheck Protection Program

- The Paycheck Protection Program in the CARES Act will make it quick and easy for community pharmacies with fewer than 500 employees who maintain their payroll to receive 100 percent federally guaranteed cash-flow assistance loans<sup>1,2,3,4</sup> of up to \$10,000,000 through the Small Business Administration (SBA). Please note that although the CARES Act does not explicitly reference the North American Industry Classification System (NAICS) Code for pharmacies, all businesses with fewer than 500 employees are eligible for these loans.
- **All fees waived** for Paycheck Protection Program loans under the CARES Act.
- Loans can be used for **payroll support, employee salaries, mortgage and rent payments, utilities**, and any other debt obligations incurred before the covered period. **The portion of the loan used to cover payroll and payments on preexisting debt would be forgiven.**

### Sec. 1102 – Entrepreneurial assistance

- The Act provides **grants to offer counseling, training, and related assistance** to community pharmacies affected by COVID-19.

### Business tax provisions

- **Sec. 2301 – 50 percent refundable payroll tax credits on wages paid (or health benefits provided) up to \$10,000 during the crisis** available to businesses disrupted due to COVID-19 related shutdowns or experiencing a decrease in gross receipts of 50 percent or more compared to the same quarter last year. Credit available for employees retained but not currently working due to the crisis for businesses with more than 100 employees, and for all employee wages for businesses with 100 or fewer employees.
- **Sec. 2302 – Employer-side Social Security payroll tax payments** may be delayed until January 1, 2021 with 50 percent owed on December 31, 2021 and 50 percent owed on December 31, 2022.

<sup>1</sup> Sole proprietors and other self-employed individuals are also eligible for these loans.

<sup>2</sup> SBA loans will be funded by banks who are approved SBA lenders.

<sup>3</sup> Loans are conditional upon employers retaining employees and payroll levels during the covered period (March 1, 2020, through June 30, 2020). Employers that have laid off employees qualify for forgiveness if employees are rehired by April 1, 2020.

<sup>4</sup> Covers employees making up to \$100,000 a year.

# CARES Act – Individual Rebates

- \$500 BILLION to be given directly to individuals via check or direct deposit within weeks
- Essentially an advance on a 2020 tax credit given to individuals. Reconciliation when 2020 tax returns are filed
- Stimulus amount is based on 2019 tax return or 2018 if 2019 not filed. If no tax returns have been filed, based on Social Security benefit statement for the individual
- Law unclear if any excess credit must be paid back or added to income

# CARES Act – Individual Rebates

- \$1,200 per individual **plus** \$500 for each child under 17
- Not all individuals will get a check:
  - Phase out thresholds start at \$75,000 filing single and \$150,000 MFJ
  - Phase out amount is 5% of the excess of the phase out thresholds. Thus complete phase out at \$99,000 single and \$198,000 MFJ (no children)
- *EXAMPLE: Bob and Mary have two children and have AGI of \$175,000 on their 2018 tax return. They have not filed their 2019 tax return. Their individual rebate payment will be \$2,150. Reconciliation will occur on their 2020 tax return.*
  - $\$1,200 + \$1,200 + \$500 + \$500 = \$3,400$  total eligible credit amount
  - $\$175,000 - \$150,000 = \$25,000 * 5\% = \$1,250$  phase out dollars
  - $\$3,400 - \$1,250 = \mathbf{\$2,150}$

# CARES Act

# Paycheck Protection Program

## Caution

*Facts, circumstances, interpretations, guidance and/or regulations etc. are evolving constantly with particular regard to the Paycheck Protection Program. The information and discussion based on these slides may change by the time of this presentation.*

# CARES Act – Paycheck Protection Program

- \$349 BILLION available for eligible small businesses
- **Loans are specifically designed to help maintain payroll workforce and pump money into the economy**
- Banks/Credit Unions will administer these programs
  - *\$US Treasury > \$Bank > \$ABC Pharmacy, Inc. > \$Payroll, Rent, Utilities, Benefits, Debt*
- Applications open 4/3/2020 and 4/10/2020 for independent contractors and Self-employed
- *Self-employed have a different set of rules, will not discuss in this webinar*

# CARES Act – Paycheck Protection Program

- Speed of utmost importance in funding
  - Easy application process and approval likely in the same day
- No collateral requirements, personal guarantees or SBA Fees – Nonrecourse
- No “credit elsewhere” test
- Covered period 2/15/2020 – 6/30/2020 – application time frame

# CARES Act – Paycheck Protection Program

- Must be a small business:
  - Fewer than 500 employees (includes all employees)
  - Meet size standard test of SBA
  - Sole proprietor
  - Self-employed individuals or
  - Other i.e. nonprofits etc.

# CARES Act – Paycheck Protection Program

- Must make a good faith certification:
  - Current economic uncertainty makes this loan request necessary to support the ongoing operations of the business
  - Funds will be used to retain workers and maintain payroll, make mortgage payments, lease, utility payments
  - Verify that you will provide the documents necessary to administer accordingly
  - You will not “double dip” under this PPP i.e. will not apply twice
  - Must have been in business prior to 2/15/2020
  - Certify that the information provided is true and accurate etc.
- US Government will pursue criminal charges for fraud including fraudulent use of funds

# CARES Act – Paycheck Protection Program

- Loan amount calculation begins with determining the pharmacy's average monthly payroll costs or the year period prior to the loan date:
  - Salary, wages, commission, vacation, sick and/or medical leave
  - Group health care benefits including insurance premiums
  - Retirement benefit costs
  - State or local taxes assessed on the employee's compensation
  - Other
- Excluded from average monthly payroll costs:
  - Salary or compensation over \$100,000 for an employee
  - Payroll and income taxes
  - FFCRA wages

# CARES Act – Paycheck Protection Program

- Currently, two areas of ***confusion*** regarding the calculation of average payroll costs
  1. Are payroll taxes subtracted from gross wages to arrive at average payroll costs
  2. Are 1099 subcontractor payments included in average payroll costs calculation
- Banks are handling this differently on the applications

# CARES Act – Paycheck Protection Program

- Average monthly payroll costs X 2.5 = Maximum loan amount
- **EXAMPLE:** *ABC Pharmacy, Inc. is an average pharmacy with \$4,000,000 in revenue. Annual payroll costs (payroll costs calculated for PPP) are \$440,000. Average monthly payroll costs equal \$36,667. Loan amount to ABC Pharmacy, Inc. would be \$91,667 (\$36,667 X 2.5) payable immediately.*

# CARES Act – Paycheck Protection Program

- **Loans will be forgiven, tax-free**, if the funds, in the first 8 weeks from funding, are used to maintain/pay:
  - Payroll (*up to 75% of the forgiven loan amount must be used for payroll*)
  - Health insurance
  - Retirement benefits
  - Rent under lease agreements in force before 2/15/2020
  - Utilities for which service began before 2/15/2020
  - Interest on existing debt obligations prior to 2/15/2020
- Loan forgiveness amount is reduced if:
  - Number of staff decreases
  - Level of payroll decreases by more than 25% for any employee that made less than \$100,000 annually

# CARES Act – Paycheck Protection Program

- If some employees have been let go or had their hours reduced, you have until 6/30/2020 to rehire or restore wages for any changes that were made between 2/15/2020 to 4/26/2020
- Borrower applies for forgiveness with the lender
- Lender will make the decision on loan forgiveness within 60 days
- Amount not forgiven is termed out up to 10 years with 4% interest with payments starting in 6 months with accrued interest
  - Guidance is changing, official information sheet says 0.50% fixed rate and 2 year term
  - <https://home.treasury.gov/system/files/136/PPP--Fact-Sheet.pdf>

# CARES Act – Paycheck Protection Program

- **Currently, there is no official guidance for loan forgiveness. Therefore, it is wise to create your own guidance and standards.** Document the entire process:
  - Open a separate bank account to receive PPP funds and disburse eligible PPP expenses
  - Create a narrative of the need for funds including how the funds will be used
  - Create standards the pharmacy will have to meet
  - Make it as easy as possible for the bank

# CARES Act – Paycheck Protection Program

- General documents being requested by banks for application:
  - IRS Form 941 reports for each entity applying (January 2019 – March 31, 2020)
  - Payroll Report Summary for a twelve-month period (ending on your most recent payroll date)
  - Documentation showing total of all health insurance premiums paid by the business under a group health plan
  - Documentation showing the sum of all retirement plan funding that was paid by the company (NOT the employee deferrals)
  - 2019 profit and loss statement or 2019 business tax returns
  - If only open for 2020, paystubs for January and February
  - Copy of voided check for the ACH deposit
- [SAMPLE Application Draft](#)

# CARES Act – PPP Example

- *ABC Pharmacy, Inc. is an average pharmacy with \$4,000,000 in revenue. Annual payroll costs (calculated above) are 11% of revenue or \$440,000. Average monthly payroll costs equal \$36,667. Loan amount to ABC Pharmacy, Inc. would be \$91,667 ( $\$36,667 \times 2.5$ ) payable immediately.*
- *Of the \$91,667 PPP Loan, ABC Pharmacy, Inc. utilizes, over the 8-week period since funding, \$75,000 for payroll costs, \$7,500 for rent, \$1,000 for utilities and pays interest of \$500 for a total of \$84,000. Properly documented, the loan forgiveness amount would be \$84,000. The remaining balance of \$7,667 would be termed out at a fixed rate.*

# SBA EIDL

- **Economic Injury Disaster Loans (EIDL)** have been a part of the SBA for years
- Low-interest 3.75%, fixed-rate loan to help small businesses experiencing a disaster
- Loan amounts up to \$2,000,000
- Not meant to replace lost sales or revenue
- Applications have been modified and streamlined due to urgency
- **Be careful how you apply**
- Apply online, there is no cost and obligation to take the funds if approved for funding
- <https://www.sba.gov/funding-programs/disaster-assistance>

# SBA EIDL

- No collateral except general business assets, no personal guarantee
- Up to 30-year terms
- 3.75%
- 11 month deferral of payments
- Must have been in business when COVID-19 crisis was announced 1/31/2020
- Covered period 1/31/2020 – 12/31/2020
- Funding based on a gross profit test

# SBA EIDL

- A business can apply for both the PPP and EIDL
- **The EIDL (loan orig. date between 2/15/2020 – 6/30/2020) is eligible to roll into PPP and *may be* eligible for loan forgiveness**
  - More guidance is needed!
  - Careful planning is necessary
- If PPP and EIDL – must use proceeds for different purposes, no “double-dipping”
- If eligible, consider applying for EIDL. Not obligated to take the funds if offered and there is a provision to request a **\$10,000 grant** to be made to applicants regardless if EIDL is approved

# CARES Act – SBA Loan Forbearance

- Applicable for businesses with existing SBA 7(a) loans on the books
- SBA will pay principal, interest and fees owed for up to six months
- Payments commence with the first payment due after 3/27/2020
- This is not a deferral, i.e. **will not be owed in the future/will not accrue**
- This program is automatic, no application
- Forbearance will not hinder your ability to apply for PPP and/or EIDL

# CARES Act – FAQ

- How do I get started with the PPP?
- My banker is pushing me to apply, should I apply now?
- If my pharmacy does not need the funds now, should I apply for the PPP?
- I don't think my pharmacy will need the funds, should I apply?
- Can I apply for more than one PPP Loan?
- Is the pharmacy real estate entity that I own eligible for the PPP?
- Can I use PPP funds for inventory/cost of goods?
- What do we use for wages to calculate the PPP amount?

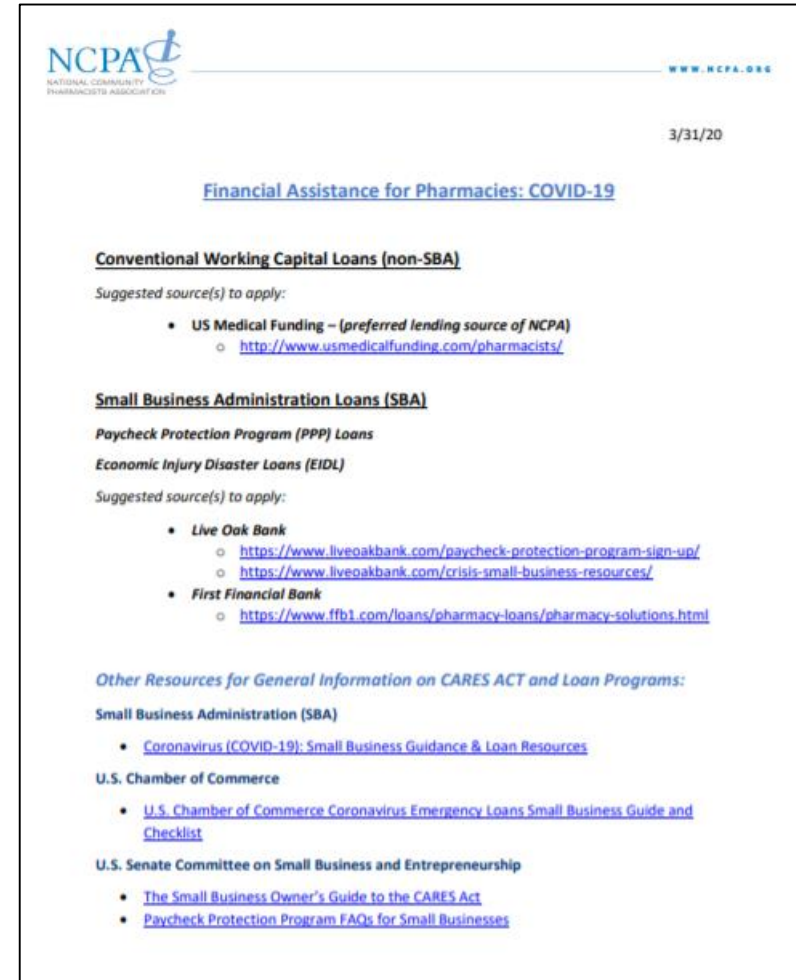
# CARES Act – FAQ

- I already laid off some workers or cut hours, can I still apply for PPP?
- Do I need to rehire the person I laid off?
- I was already in the middle of a refinance, should I continue?
- I'm not interested in more debt, should I still apply for the EIDL?

# CARES Act – Small Business Funding Resources

- Conventional working capital loans not through the SBA
  - US Medical Funding – (preferred lending source of NCPA)
    - [www.usmedicalfunding.com/pharmacists/](http://www.usmedicalfunding.com/pharmacists/)
- SBA Loans (PPP & EIDL)
  - Live Oak Bank
    - [www.liveoakbank.com/paycheck-protection-program-sign-up](http://www.liveoakbank.com/paycheck-protection-program-sign-up)
    - [www.liveoakbank.com/crisis-small-business-resources](http://www.liveoakbank.com/crisis-small-business-resources)
  - First Financial Bank
    - [www.ffb1.com/loans/pharmacy-loans/pharmacy-solutions.html](http://www.ffb1.com/loans/pharmacy-loans/pharmacy-solutions.html)
- NCPA
  - <https://ncpa.org/sites/default/files/2020-04/Financial%20Assistance%20for%20Pharmacies%20-%20Covid19.pdf>
  - <https://ncpa.org/coronavirus-information>

[www.ncpa.org/coronavirus-information](http://www.ncpa.org/coronavirus-information)



The screenshot shows the NCPA website with the following content:

**NCPA**  
NATIONAL COMMUNITY PHARMACISTS ASSOCIATION  
WWW.NCPA.ORG  
3/31/20

**Financial Assistance for Pharmacies: COVID-19**

**Conventional Working Capital Loans (non-SBA)**

Suggested source(s) to apply:

- US Medical Funding – (preferred lending source of NCPA)
  - <http://www.usmedicalfunding.com/pharmacists/>

**Small Business Administration Loans (SBA)**

**Paycheck Protection Program (PPP) Loans**

**Economic Injury Disaster Loans (EIDL)**

Suggested source(s) to apply:

- **Live Oak Bank**
  - <https://www.liveoakbank.com/paycheck-protection-program-sign-up/>
  - <https://www.liveoakbank.com/crisis-small-business-resources/>
- **First Financial Bank**
  - <https://www.ffb1.com/loans/pharmacy-loans/pharmacy-solutions.html>

**Other Resources for General Information on CARES ACT and Loan Programs:**

**Small Business Administration (SBA)**

- [Coronavirus \(COVID-19\): Small Business Guidance & Loan Resources](#)

**U.S. Chamber of Commerce**

- [U.S. Chamber of Commerce Coronavirus Emergency Loans Small Business Guide and Checklist](#)

**U.S. Senate Committee on Small Business and Entrepreneurship**

- [The Small Business Owner's Guide to the CARES Act](#)
- [Paycheck Protection Program FAQs for Small Businesses](#)

# CARES Act – PPP/SBA Tips

- Keep a paper copy of the EIDL application in your files
- More guidance is being released daily. Consider gathering all necessary documents and waiting before submitting
- Consider the potential limitations to consolidated entities and affiliated groups
- Reasonable to expect delays in funding even though urgency is the theme

# CARES Act – PPP/SBA Tips

- Carefully complete an EIDL application and coordinate the PPP and EIDL especially when considering the potential option of rolling EIDL into PPP
- Build a case using defined methods/criteria for loan forgiveness
- Each separate taxable entity is generally eligible to apply for those with multiple pharmacies
- There will be audits
- SBA is offering free counseling to help navigate these uncertain times...or better yet, call your trusted CPA advisor

# CARES Act – NCPA Resources

- <https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Application-3-30-2020-v3.pdf>
- <https://home.treasury.gov/system/files/136/PPP%20Borrower%20Information%20Fact%20Sheet.pdf>

# CARES Act – Employee Retention Credit

- Credit to encourage employers to retain employees and maintain salary during the rest of 2020
- Available to businesses that are/were fully or partially suspended by a government order limiting commerce, travel or group meetings due to COVID-19
- *Similar* application as the Family and Paid Sick Leave credit (see previous slide)
- Credit amount is capped at \$10,000 plus health care costs per employee
- Subject to several restrictions
- **If Paycheck Protection Program is utilized, this credit is not applicable**

# CARES Act – Deferred Payroll Taxes

- Once an employer has utilized any Family Medical and Paid Sick Leave payroll credits and any Employee Retention credits, 50% of whatever amount of tax remains, can be deferred until 12/31/2021 and the other 50% can be deferred until 12/31/2022
- **If Paycheck Protection Program is utilized and any of that loan is forgiven, this payroll tax deferral is not applicable**

# CARES Act – Charity Contributions

- If you do not itemize your deductions, beginning in 2020, a new above-the-line deduction of \$300 of cash contributions to a charity is allowed
- If you do itemize, individuals were formally limited to deduct charity contributions up to 60% of AGI. CARES Act changes 60% limitation to 100% in **2020 only** and any excess is carried over five years

# CARES Act – Retirement Plan Changes

- Added new 10% penalty exception for Coronavirus-related distribution from a qualified retirement account
- Allows up to \$100,000 to be drawn in 2020 under this exception
- Generally, still subject to income tax but the income is spread over three years, may be repaid over three years (rollover)
- **Be cautious before drawing from any retirement plan**
- IRA RMD rules are delayed for 2020
- The RMD delay also applies to those originally required to take a 2019 distribution (age 70 ½ in 2019) but have yet to do so in 2020

# CARES Act – Student Loans

- Employers can pay up to \$5,250 of student loans for an employee in 2020
- Payment is tax-free to the employee
- Interest is non-deductible by the employee for the portion paid by the employer
- Furthermore, the CARES Act delays payments on student loans until 9/30/2020 without no interest accrual

# CARES Act – Qualified Improvement Property

- Technical correction to fix the Tax Cuts & Jobs Act of 2017
- Allows pharmacies to depreciate eligible QIP over a 15-year period rather than a 39-year beginning in 2018, retroactive to 2018
- 15-year QIP property is eligible for 100% bonus depreciation
- **Careful analysis should be taken to determine if taxpayers should amend prior year returns or file Form 3115 to take advantage**
- More guidance is needed

# CARES Act – Excess Business Losses

- New loss limitation under Tax Cuts & Jobs Act of 2017
- Suspended beginning in 2018, 2019 and 2020
- **Careful analysis should be taken to determine if taxpayers should amend prior year returns**
- More guidance is needed

# CARES Act – Interest Limitation

- If any enterprise was subject to Section 163(j), changes have been made for 2019 and 2020
- **Careful consideration should be made to determine if any amendments are needed for 2019**

# CARES Act – Net Operating Losses

- Net operating losses for 2018, 2019 and 2020 can now be carried back up to five years to recover taxes already paid
- If carried forward, can offset up to 100% of taxable income up until 2021
- **Careful analysis should be taken to determine if taxpayers should amend prior year returns to recover taxes already paid**
- **Any amendments to take advantage of NOL should consider other changes within the CARES Act**
- More guidance is pending

# HSA and FSA

- New provisions to expand the eligibility of HSA and FSA funds to cover the costs of COVID-19 including:
  - OTC medicine eligible for reimbursement tax-free by HSA, HRA and FSA
  - Includes menstrual care products
  - COVID-19 related testing
- Retroactive to 1/1/2020

# Tax Cuts & Jobs Act of 2017 – Cash Accounting

- TCJA expands the use of cash accounting for eligible small businesses, those with average three-year gross receipts less than \$26 million for 2019
- Must consider controlled groups for gross receipts test
- Cash accounting recognizes revenues when collected and expenses when paid
- Transition from accrual accounting to cash accounting likely to increase expenses and lower taxable income
- Still seeing many pharmacies under the accrual method not taking advantage of this provision for tax purposes!
- **Best practice: financial reporting should be accrual accounting**

# Final Thoughts

- Carefully consider the small business relief that is available and implement diligently
- Work with payroll processors and advisors to maximize payroll changes
- Be patient for guidance and regulations
- Watch out for SCAMS
- Stimulus Phase Four?
  - Meals & Entertainment changes?
  - Infrastructure?

Thank you for being on the front lines!

Questions?

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