



# Coastal COVID 19 Assistance

*Craig Coleman, President  
Jonathan Gallagher, CEO  
Suzanna Teneyck, Director of Training  
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# Agenda

## ➤ Recent Updates

- IRS Guidance – ERC (2020)
- American Rescue Plan Act of 2021

## ➤ PPP Updates

## ➤ Employee Retention Credit (ERC) Assist

- Eligibility Review
- ERC FAQ
- ERC Assist from Coastal

# Recent Updates – IRS guidance (ERC)

- **March 1** - IRS published additional guidance on Employee Retention Credit program
  - 2020 guidance
  - Clarifies coordination of PPP and ERC (pp. 73-80)
  - Reiterated previous guidance we've been referring to on IRS website

<https://www.irs.gov/pub/irs-drop/n-21-20.pdf>

# Recent Updates – American Rescue Plan

## ERC Impact

- ERC extended through 12/31/2021
- Expands eligibility to new startups formed after 2/15/2020 (revenue decline of 90% / credit capped at \$50,000 per quarter)
- new provision for “**severely financially distressed employers,**” which is defined as an employer that experienced a gross receipts reduction of more than 90 percent as compared to the same quarter in 2019. If an employer meets this definition, it may treat all wages paid to employees as qualified wages, regardless of the number of full-time employees.

# Recent Updates – American Rescue Plan

## FFCRA Leave Impact

- FFCRA leave extended through 9/30/2021 (previously set to expire 3/31/2021)
- Increases eligible wages to \$12,000 per employee (up from \$10,000 in 2020) – for wages paid between 4/1/2021 – 9/30/2021
- Expands types of leave to include vaccinations
- Re-sets the 10-day limit for the tax credit for paid sick leave under the FFCRA beginning April 1, 2021. As a result, an employer could *voluntarily* provide an additional 10 days of FFCRA paid sick leave beginning April 1, 2021, and would be eligible for a tax credit for doing so.

# Recent Updates – American Rescue Plan

## Impact on FFCRA Leaves

- **EPSL** leave may be voluntarily extended through 9/30/2021 with modifications (still tax credit eligible)
  - Reasons for use expanded to include obtaining a COVID vaccine, recovering from conditions resulting from receiving the vaccine, or awaiting results of a COVID test
  - Amount of time offered beginning 4/1 resets to 80 hours
- **EFMLA** leave may also be voluntarily extended through 9/30/2021 with modifications (still tax credit eligible)
  - Reasons for use expanded to include all eight (8) available for use with EPSL
  - Two (2)-week waiting period eliminated

# Recent Updates – SB 95 (CA)

- **Supplemental Paid Sick Leave (SPSL)**
  - Effective March 29, 2021 for employers with 26 or more employees
  - Requires employers to provide 80 hours of SPSL that is over and above employees' regular PSL, PTO, and/or vacation banks
  - Requires employers to provide the SPSL *retroactively* to January 1, 2021 for all reasons provided under the FFCRA
  - Does not require employers to pay more than \$511/day or \$5,110 in aggregate
- **Notice Requirements**
  - Each employee's SPSL balance must be listed on the employee's wage statement or a separate writing provided with the employee's pay
  - Post physical or electronic notice provided by the Labor Commissioner by 3/29
- **SPSL may run concurrently with other forms of leave**

# Recent Updates – American Rescue Plan

## PPP Impact

- Increased lending by \$7.25B
- Expand eligibility to cover more tax-exempt groups
- Increased size limits for larger non-profits (up to 500 employees)
- Online News Publishers now eligible
- Cobra premium assistance now eligible as payroll costs (for future forgiveness applications)



# Recent Updates – American Rescue Plan

## Restaurant Grants

- \$28.6 billion for a Restaurant Revitalization Fund to be administered by the SBA
- Eligible recipients would include restaurants, bars, food trucks, and caterers, including businesses in airport terminals and tribally owned entities.
- Grant amounts would cover the difference between an entity's revenue in 2020 compared with 2019. Awards would be reduced by amounts received through the Paycheck Protection Program
- Aggregate awards made to an entity and its affiliates couldn't exceed \$10 million and would be limited to \$5 million per location.
- Eligible expenses generally would include payroll costs, mortgage and rent payments, supplies, normal food and beverage costs, and paid sick leave.

# PPP Updates

- First and Second Draw Loans available through March 31, 2021
- Two week window for PPP applications for firms with fewer than 20 employees ended today.
- Second Draw Loans only available if under 300 employees and experienced 25% reduction in revenue in all or part of 2020 (vs. 2019)

# PPP Updates

- Alternative Covered Period eliminated going forward (includes 2020 forgiveness apps not yet submitted)
- 3508 S (short form) available for loans under \$150,000
  - FTE/Salary Wage requirements must be met for loans over \$50,000
    - Documentation requirements simplified when using form 3508 S
- PPP Covered Period can end at any point **between 8 weeks to 24 weeks**
  - Allows flexibility in coordinating PPP and ERC programs
  - No flexibility on start date, must be when PPP funds disbursed

# Which forgiveness application will I use?

- 3508 S – Loans under \$150,000 (1<sup>st</sup> and 2<sup>nd</sup> draw loans)
- 3508 EZ – Loans between \$150,000 and \$2,000,000 AND borrower meets FTE and Salary/Wage requirements
- 3508 (Long Form) - Loans above \$2,000,000 OR loans between \$150,000 and \$2,000,000 and borrower does not meet FTE and Salary/Wage requirements

# Employee Retention Credit – Eligibility (2020)

**For 2020 (beginning March 13, 2020 and ending December 31, 2020)**

- Any Employer experiencing Partial or Total Suspension/Shutdown of Operations due to Government Order with under 100 FTE in 2019 is eligible.

**OR**

- Gross Receipts test is 50% reduction for 2020 (using current calendar quarter)

# Employee Retention Credit – Eligibility (2021)

**For 2021 (beginning January 1, 2021 and ending December 31, 2021)**

- Any Employer experiencing Partial or Total Suspension/Shutdown of Operations due to Government Order with under 500 FTE in 2019 is eligible.

**OR**

- Gross Receipts test is 20% reduction for 2021 (using previous calendar quarter for Q1 2021)

# Employee Retention Credit – Strategy

## ➤ **If you are eligible for 2021**

- Start calculating and processing asap! Immediate savings due to offset of 941 taxes with payrolls.
- Form 7200 may also be filed in advance of quarter end for advance of credits

## ➤ **If you are eligible for 2020**

- After you have 2021 process established, shift to 2020 review.
- Confirm dates of suspensions/shutdowns, PPP covered periods.
- Run reports to determine qualified wages.
- File amended 941-x tax returns.

# Employee Retention Credit – Eligibility ?'s

## **What is my FTE count? For what period do I need to measure?**

- Your FTE count is based on 2019 and uses the 30 hour per week threshold to count FTE's.
- Use 2019 for both 2020 and 2021 eligibility.

## **Is my FTE count for Full-Time employees plus Full-Time Equivalents (similar to Affordable Care Act definition)?**

- Still unclear, but the wording on IRS website does not discuss Full-Time Equivalents. This could affect employers on the edge of 100 or 500 FTE's.



# Employee Retention Credit – Eligibility ?'s

## What if I own multiple companies?

- Aggregate group rules apply. The 100 and 500 FTE criteria must be evaluated across all companies.

<https://www.irs.gov/newsroom/covid-19-related-employee-retention-credits-determining-which-entities-are-considered-a-single-employer-under-the-aggregation-rules-faqs>

# Employee Retention Credit – PPP Compatibility

## What if I had a PPP Loan? Can I use ERC?

- Yes, but consider the following:
  - Can't use ERC for wages covered by PPP.
  - If you have submitted PPP Forgiveness App, you can't use ERC for PPP Covered Period.
  - If you have not submitted PPP Forgiveness App, you could analyze a shorter PPP Covered Period window (between 8 and 24 weeks) if you were unable to support all expenses with PPP funds.
    - Easier to do this last step if loan is under \$50,000, due to lack of FTE/Salary/Wage reduction requirements.
    - Advanced analysis required if loan over \$50,000.
    - Don't sacrifice PPP forgiveness for ERC, talk to your tax/legal/accounting advisors.

# Employee Retention Credit – Coastal Support

## How Can Coastal Help?

- Assist with getting tax credits to fund operations in 2021
  - Coastal will assist the client in determining eligibility using ERC Survey
  - Coastal will assist the client in calculating their 2021 ERCs
- Assist with recapture of tax credits which previously were not available to borrowers:
  - Coastal will assist client in calculating their 2020 ERC credit
  - Once calculated, our tax team will process the necessary quarterly adjustments

# Employee Retention Credit – Coastal Support

## Next Steps – Coastal Clients

- If you haven't spoken to our ERC team, and think you are eligible for ERC:
  - Complete the survey
  - Schedule a 30 minute consultation (Current Clients Only):
    - <https://calendly.com/erccoastal/30min>

## Next Steps – Prospective Coastal Clients

- Discuss with Sales representative:
  - We can help! If your business qualifies, we can start processing credits as soon as you begin processing with Coastal

# Need more COVID-19 Resources?!

- <https://www.coastalpayroll.com/covid-19>
- Coastal Town Halls: [REGISTER HERE](#)

# Thank you!

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