

## Employee Retention Credit and Other Tax Provisions

Most interest and activity to date has been directed to the loan provisions (PPP and EIDL) of the CARE Act.

**However,**

Tax Provisions are included in the legislation which may be beneficial to you and your company. This is a condensed, brief summary of these new rules:

### I. Employee Retention Credit

A. Applies to eligible employers who:

1. Experienced more than a 50% reduction in quarterly receipts measured against the corresponding 2019 quarter. Eligible quarters continue until the quarter after the quarter when receipts are greater than 80% measured against the same quarter in 2019.
2. Have experienced fully or partially suspended operations during a calendar quarter because of certain governmental orders which limit travel, commerce or group meetings.

B. The credit is:

1. A refundable credit for each qualifying calendar quarter against the employer's 6.2% FICA payroll tax of 50% of the qualified wages paid to each employee for qualifying calendar quarters.
2. Applicable to wages paid March 12, 2020 to December 31, 2020.
3. Qualified wages are limited to \$10,000 per employee so that the credit is a maximum of \$5,000 per employee for the entire period.

C. Limitations on the credit

1. Qualified wages do not include: certain wages paid for required paid sick leave or family leave; wages taken into account for employer income tax credit for paid family and medical leave; wages paid applicable to a work opportunity credit.
2. The employee retention credit is not applicable to employers receiving a covered loan under the Paycheck Protection Program (PPP).

D. Dependent on size of employer:

1. If the employer has 100 or fewer full time employees, applies to all wages including health benefits paid during relevant periods.
2. If the employer has more than 100 full time employees during 2019, applies to all wages paid to employees not providing services or have reduced hours during the relevant periods.

Limited to amounts employee would have been paid for equivalent period during prior 30 days.

## II. Payroll Tax Deferral

A. Employers can defer paying the 6.2% employer portion of FICA taxes through December 31, 2020 with all deferred amounts due 50% on December 31, 2021 and 50% on December 31, 2022.

B. Self-employed have the same payment option as it applies to 50% of the SECA tax.

C. These payment deferral are not allowed if the taxpayer has had loan forgiveness under the PPP loan provision.

## III. Major Retirement Plan Provisions Related to Coronavirus

A. Elimination of the 10% Penalty Tax on Premature Retirement Distributions. This applies to distributions made in 2020 directly related to a closing or reduced hours due to virus or disease.

B. Required minimum distribution rules are eliminated for 2020.

## IV. New Charitable Contribution Rules

A. Taxpayers taking the standard deduction can take an additional \$300 deduction of cash gifts to publicly supported charities during years after 2019.

B. Taxpayers itemizing deductions can deduct cash gifts to publicly supported charities up to 100% of their adjusted gross income.

C. The deduction for charitable contributions by C corporations has been increased to 25% of taxable income.

This information has been provided by Gold Gerstein Group, LLC.

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