

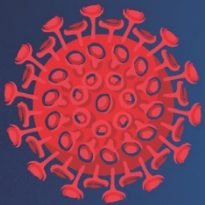
WEEKLY WEBINAR SERIES

CORONAVIRUS

& its impact on people, process & profits

SESSION ONE

March 20, 2020 | 11:00 A.M. EST



➤ NASBA CPE Requirements

- In order to receive CPE for this webinar:
 - Participants must be connected to the session (both audio and presentation) for its entirety.
 - Participants must answer all questions/elements of engagement.

➤ Meet Your Team



ERIC WENGER CPA, MST | *Partner, Tax Services Group*

Eric serves as Managing Partner of the Lancaster Office and as Chairman of the RKL Board of Directors. Throughout his more than two decades in public accounting, Eric has enjoyed the ongoing challenge of applying evolving tax and financial regulations for the benefit of his clients. As Partner in RKL's Tax Services Group, he primarily advises closely held and family owned companies regarding tax and general business matters, including succession planning.

ewenger@RKLcpa.com | RKLcpa.com



STEPHANE SMITH, SPHR, SHRM-SCP | *Consultant, Human Capital Management*

Stephane is a Consultant in RKL's Human Capital Management Practice. She advises clients on a wide range of human resources policies and programs, including strategic planning and talent and performance management.

slsmith@RKLcpa.com | RKLcpa.com



RYAN HURST, ASA | *Partner, Business Consulting Services Group*

Ryan is a Partner in RKL's Business Consulting Services Group and an in-demand transaction consultant. Ryan's areas of expertise include advising clients on buying and selling businesses; succession planning; conducting valuations for a variety of transactions and structures; litigation support for shareholder disputes; and strategic alternatives analyses.

rhurst@RKLcpa.com | RKLcpa.com

➤ Outline for Today's Presentation

- Coronavirus legislation: Three acts of Congress (so far...)
- The rapidly changing legislative landscape including the *Families First Coronavirus Response Act* (H.R. 6201)
- COVID-19 in the workplace: Practical guidance on related HR matters
- Unemployment considerations
- Financing and loan options
- What's next? Where and how can my company get help?

CORONAVIRUS LEGISLATION:

3 Acts of Congress

(So far...)

➤ 3 Acts of Congress (so far...)

1. **H.R. 6074:** *Coronavirus Preparedness and Response Supplemental Appropriations*

- \$8.3 billion in emergency funding for research, vaccines, etc. related to coronavirus
- House: Passed on Wednesday, March 4: 415 – 2
- Senate: Passed on Thursday, March 5: 96 – 1
- President: Signed on Friday, March 6

2. **H.R. 6201:** *Families First Coronavirus Response Act* (the topic of today's discussion)

3. Senate presently negotiating a \$1 trillion stimulus package

➤ Timeline of “Families First Act” – H.R. 6201

- **Friday, March 13:** President Trump declares a national emergency; frees up \$50 billion in funding for state and local governments for fighting pandemic
- **Saturday, March 14:** House passes H.R. 6201 – *Families First Coronavirus Response Act*; vote 363-40
- **Monday, March 16:** Technical corrections passed by House by unanimous consent
- **Wednesday, March 18:** Senate passes Act; vote 90-8
- **Wednesday, March 18:** President Trump signs act
- **Thursday, April 2:** 15 days after enactment; Law becomes effective and employer compliance required

➤ “The Third Act” – Potential for \$1 TRILLION Economic Stimulus Plan

- Outlined by White House to include (*subject to change*):
 - \$500 billion in direct payments to individuals via rebate checks paid in two installments: April 6 and May 18
 - \$300 billion for small business loans
 - \$200 billion for collateralized loans and loan guarantees for “severely distressed sectors” of U.S. economy
 - \$50 billion for airline industry
- Potential that Senate might remain in session this weekend to vote on this Act
- Discussions underway regarding revision of 2018 Tax Reform rules prohibiting carrying net operating losses back for two years to obtain refunds

➤ PROPOSED Senate Bill – Individual Provisions

- Sec. 2101: 2020 recovery rebates for individuals
- Sec. 2102: Delay of certain deadlines
- Sec. 2103: Special rules for use of retirement funds
- Sec. 2104: Allowance of partial above-the-line deduction for charitable contributions
- Sec. 2105: Modification of limitations on charitable contributions during 2020

➤ PROPOSED Senate Bill – Business Provisions

- Sec. 2201: Delay of estimated tax payments for corporations
- Sec. 2202: Delay of payment of employer payroll taxes
- Sec. 2203: Modifications for net operating losses
- Sec. 2204: Modification of limitation on losses for taxpayers other than corporations
- Sec. 2205: Modification of credit for prior year minimum tax liability of corporations
- Sec. 2206: Modification of limitation on business interest

FEDERAL TAX PAYMENT DEADLINE DEFERRED

➤ Deadline for Federal Tax Payments Deferred

On Wednesday, March 17, the IRS formally released Notice 2020-17

What are the headlines?

- Deferral of deadline for paying taxes otherwise owed on April 15, 2020
- Applies to 2019 taxes as well as 2020 first quarter estimated income and self-employment taxes
 - Individual taxpayers owing less than \$1 million in cash and corporations owing less than \$10 million in cash at April 15
- New payment deadline will be July 15, 2020 and no interest or penalties will apply for payments made by July 15

While these are the rules as of Friday, 3/20/20, we anticipate the currently pending Senate bill will change this guidance.

➤ Deadline for Federal Tax Payments Deferred: FAQs

- Does this mean tax returns are no longer due on April 15?
- Why might I still wish to file for an extension at April 15?
- Must I file an extension to take advantage of delaying my 2019 tax payment and/or 2020 first quarter estimate normally due on April 15?
- Must I pay first quarter 2020 estimated taxes that are due on April 15?
- Must I pay second quarter estimated taxes that are due on June 15?
- Should I credit forward an overpayment on a 2019 return?
- What about my state and local tax filing and payment deadlines?

While these are the rules as of Friday, 3/20/20, we anticipate the currently pending Senate bill will change this guidance.

➤ Problem: The “Do Nothing” Scenario

Taxpayers failing to file their returns or request an extension by April 15 could get hit with large penalties – but only if they owe tax. The penalty for failing to file a tax return is 5% of the unpaid tax that should be reported, charged monthly for up to five months. If a person files more than 60 days late, the minimum penalty is the lesser of \$435 or 100% of the unpaid tax.

While these are the rules as of Friday, 3/20/20, we anticipate the currently pending Senate bill will change this guidance.

➤ Additional Considerations

- AICPA request on 3/19/20
- Fiscal year taxpayers
 - Extension of paying taxes ONLY applies to payments due on 4/15.
 - Beware fiscal year filers who may have return or estimated tax payments due on 5/15 and 6/15.
- State and local tax filing deadlines vs. payment deadlines
 - [State Tax Filing Guidance for Coronavirus Pandemic](#) (AICPA)

While these are the rules as of Friday, 3/20/20, we anticipate the currently pending Senate bill will change this guidance.

THE FAMILIES FIRST CORONAVIRUS RESPONSE ACT (H.R. 6201)

➤ Which Employers Are Included?

- All employers with *fewer than* 500 employees
- What about small businesses with fewer than 50 employees?
 - Secretary of Labor shall have the authority to issue regulations (not yet released) to exempt employers with less than 50 employees from the paid leave provisions of the Act, when compliance would jeopardize the business as a viable concern
- Treasury Secretary Mnuchin has said that employers will be able to use cash deposited with the IRS to pay sick leave wages, and that for businesses that would not have sufficient taxes to draw from, Treasury will use its regulatory authority to make advances to small businesses to cover such costs.

➤ The Families First Coronavirus Response Act (H.R. 6201): Key Components

- Free Testing for Coronavirus
- Strengthens Food Assistance
- Safeguards Medicaid Benefits
- Enhances Unemployment Aid
- Establishes Paid Leave

Source: House Committee on Appropriations

➤ Analysis of Families First Coronavirus Response Act as signed into law March 18, 2020

Note: These provisions apply to employers with fewer than 500 employees.
Red text denotes amendments approved by House on Monday, 3/16/20

EMERGENCY PAID SICK LEAVE – Eligibility:

1. Quarantining order from government or physician
2. Having COVID-19 symptoms/diagnosed
3. Providing care for a family member who has been diagnosed or for a child whose school or daycare has closed due to coronavirus

*These slides are intended as preliminary guidance.
Bill is subject to subsequent regulations.*

Emergency Paid Sick Leave Provisions

Note: These provisions apply to employers with fewer than 500 employees.
 Red text denotes amendments approved by House on Monday, 3/16/20

Employment Status	Who is Sick or Quarantined?	Maximum Time Period Covered	Required Pay Rate	Employer's Refundable Tax Credit	Cap on Wages Eligible for Tax Credit through 12/31/20	Refundable Tax Credit Offsets
Employee	Self	FT : = 2 weeks or 80 hours PT = typical # hours worked in 2 week period	100% of Regular Pay Rate	100% of "Qualified Paid Sick Leave Wages"	\$511/day AND \$5,111 in the aggregate plus a pro rata amount of expenses paid in maintaining a qualified health plan related to sick leave payments	Employer portion of Social Security tax
Employee	Family member	FT = 2 weeks or 80 hours PT = typical # hours worked in 2 week period	67% of Regular Pay Rate	100% of "Qualified Paid Sick Leave Wages"	\$200/day AND \$2,000 in the aggregate plus a pro rata amount of expenses paid in maintaining a qualified health plan related to sick leave payments	Employer portion of Social Security tax
Self-Employed	Self	FT = 2 weeks or 80 hours PT = typical # hours worked in 2 week period	n/a	100% of "Qualified Sick Leave Equivalent Amount"	Lesser of: 1) \$511/day, or 2) Avg. daily S/E income for yr.	Income Taxes
Self-Employed	Family member	FT = 2 weeks or 80 hours PT = typical # hours worked in 2 week period	n/a	67% of "Qualified Sick Leave Equivalent Amount"	Lesser of: 1) \$200/day, or 2) Avg. daily S/E income for yr.	Income Taxes

➤ Analysis of Families First Coronavirus Response Act as signed into law March 18, 2020

Note: *These provisions apply to employers with fewer than 500 employees.*
Red text denotes amendments approved by House on Monday, 3/16/20

EMERGENCY PAID FAMILY LEAVE – Eligibility:

1. Provide care for child younger than 18 whose school or day care has closed due to coronavirus

*These slides are intended as preliminary guidance.
Bill is subject to subsequent regulations.*

➤ Emergency Paid Family Leave Provisions

Note: These provisions apply to employers with fewer than 500 employees.

Red text denotes amendments approved by House on Monday, 3/16/20

Employment Status:	Who is Sick or Quarantined	Maximum Time Period Covered	Required Pay Rate	Employer's Refundable Tax Credit	Cap on Wages Eligible for Tax Credit through 12/31/20	Refundable Tax Credit Offsets
Employee	Family member	12 weeks total <i>(First 14 days could be unpaid or use accrued vacation) then up to 10 additional weeks</i>	No less than 67% of regular pay	100% of "Qualified Family Leave Wages"	Weeks 3-12: \$200/day/employee AND \$10,000 in the aggregate	Employer portion of Social Security tax
Self-Employed	Family member	12 weeks total <i>(First 14 days could be unpaid or use accrued vacation) then up to 10 additional weeks</i>	n/a	67% of "Family Leave Equivalent Amount"	Up to 50 days at lesser of: 1) \$200/day, or 2) Avg. daily S/E income for yr.	Income Taxes

➤ **IRS Notice 2020-15: High Deductible Health Plans & COVID-19 Testing**

- Health plan that satisfies the requirements of a high deductible health plan (HDHP) under the Internal Revenue Code, and thus allows individuals to deduct contributions to a health savings account, will not cease to be qualified as an HDHP if it allows for COVID-19 testing.
- This includes testing to be done with deductibles below the minimum deductible for an HDHP, including a \$0 deductible.

➤ Section 139: Disaster Relief Payments

- Sec. 139(a): Gross income shall not include any amount received by an individual as a qualified disaster relief payment
- Sec. 139(b)(1): For purposes of this section, the term “qualified disaster relief payment” means any amount paid to or for the benefit of an individual to reimburse or pay reasonable and necessary personal, family, living or funeral expenses incurred as a result of a qualified disaster
- Sec. 139(c)(3): “Qualified disaster” means...a federally declared disaster

PREPARATION

CONSIDERATION FOR EMPLOYERS

➤ Assessing Your Risk

1	Negligible	Limited to no business disruptions or property damage
2	Marginal	A hindrance that may effect operations without shutting down, you have no or minor damage, it may be an occurrence in neighborhood
3	Critical	Temporary disruptions of operations or major damage to the facility, impacts are to community
4	Catastrophic	A disaster that affects entire regional community causing workplace disruptions and forces closure of building(s). This is an event of large proportions. It can include complete destruction, multiple injuries or deaths, and a regional event that means limited or no outside resources available for some time. Typically in such events, this means no outside resources for at least days, often much longer.

➤ Preparation Considerations

- Prepare for the threat
 - Develop an infectious disease policy and action plan
 - Implement preventative measures
- Develop a team of individuals that act as the response team
- Who will be responsible for internal and external communications to ensure consistent messaging
- Organize critical information and documents necessary for business operations
- Develop a business continuity plan in order to continue to provide products and services
- How will you handle payroll?
 - Do you have a cloud-based solution that allows you to process payroll from anywhere via web, phone or app?
- Cross train employees in order to continue with key business functions if someone becomes ill or unavailable

➤ Preparation Considerations (continued)

- Consider alternate work options such as telecommuting, flexible hours, staggered shifts, etc. to increase physical distance among employees
- Assess remote work capabilities:
 - Can your employees telecommute?
 - Do your employees have the resources at home to telecommute?
 - Ensure your VPN bandwidth is strong enough and that you have enough licenses to support your needs
 - Consider data security and confidentiality
 - Develop a policy for how employees will handle taking confidential information home
 - How will you manage time keeping records for hourly employees?
 - How will you document over time?

➤ Preparation Considerations (continued)

- Supervisors should have increased communication with employees to ensure work is being completed
- Safeguard all web addresses and access passwords to important websites and systems
- Maintain current employee handbook, policies and procedures, review annually and make appropriate revisions
- Identify essential business functions, critical elements with supply chains, etc. required to maintain business operations
- Locate and store important vendor agreements and insurance policies
 - Review policies and agreements to understand terms and understand where you may find financial relief
- Review workplace safety precautions
- Review collective bargaining agreements

GENERAL

EMPLOYER RESPONSE TO COVID-19

➤ **Q:** Can employees be asked to notify their employer if they've come in contact with someone who has COVID-19?

A: Employers may ask employees to notify them if they have been in contact with someone who has COVID-19. If an employee reports contact with someone who has COVID-19, employers should direct the employee to the CDC's guidance for how to conduct a risk assessment of their potential exposure to assess whether they are low, medium or high risk.

➤ **Q:** What if we have an employee whose health is being monitored?

A: If you have an employee that is confirmed to have COVID-19, you should inform fellow employees immediately of their possible exposure to COVID-19 in the workplace but **maintain confidentiality** as required by the Americans with Disabilities Act (ADA).

➤ Q: Does an employee suspected to be exposed to COVID-19 at work qualify for Workers' Compensation?

A: If an employee believes they may have been exposed to COVID-19 in the workplace, they may be eligible for Workers' Compensation.

An illness caused by exposure can be considered an injury or an occupational disease. Occupational diseases are those identified by the PA Workers' Compensation Act, as well as the diseases that occur more often in specific jobs or industries.

Outside of high-risk industries, the burden of proof is on the employee to prove that they contracted it at work, if they can do that they may have a claim.

Employee has 21 days from the time of infection or when they become aware they have been infected to report to employer.

➤ **Q:** If an employee comes to work but states that s/he feels ill – and is sent home – is the employer paying the employee for the day?

A: If the employee is an exempt employee they should receive their regular pay per Fair Labor Standards Act (FLSA). If the employee is a non-exempt employee, they will receive pay for the hours worked up until the time they left work. The FLSA does not require employers to pay non-exempt employees for hours they did not work.

➤ **Q:** If an employee is currently on approved FMLA, is there any impact on the existing leave specific to the emergency FMLA?

A: Employees currently on approved FMLA would be exempt from the emergency FMLA provisions as long as their leave is unrelated to COVID-19.

IMPACT ON EMPLOYEE

UNEMPLOYMENT COMPENSATION

➤ Q: What if I have to furlough or lay off some or all of my employees?

A: Employees may qualify for unemployment compensation (UC).

The waiting week requirement has been temporarily suspended. This means new claimants who are approved for UC benefits will receive payment for their first week of unemployment.

Beginning March 16, 2020, requirements regarding work search and work registration requirements have been temporarily suspended for all UC claimants.

Note: Employees who perform part or all of their normal job duties during a furlough day are working while performing such duties.

[PA Office of Unemployment Compensation](#)

[U.S. Department of Labor](#)

➤ Q: What is the difference between a furlough and a layoff?

A: Furlough is typically a temporary absence or reduction in work hours for a period of time with the intention to bring the employee back to work to a regular and full-time schedule. Generally, employees who are on furlough continue to accrue vacation and sick time offered by the employer, as well as continue to receive medical benefits. Furloughs allow employers to keep valued employees on payroll to prevent layoff and having to hire a new workforce. It also avoids severance pay and higher unemployment premiums due to large layoffs.

A layoff is finite with no intention of bringing the employee back. Employees typically do not continue to receive benefits such as vacation, sick time or medical benefits. Employees may be able to continue health coverage through COBRA. *Note: the WARN Act must be considered.*

➤ **Q:** Are employees eligible to file for Unemployment Compensation if they are quarantined due to COVID-19?

A: Yes, if currently employed either full-time or part-time, but have been directed by a healthcare provider, medical professional or public official to isolate or quarantine, you may be eligible.

[PA Office of Unemployment Compensation](#)

➤ Q: Under what circumstances can an employee file for unemployment compensation?

A:

1. If work hours are reduced because of COVID-19
2. If employed by a school that has been ordered to close by order of the government and are no longer being paid in any form including sick leave pay
 - a. Employees do not qualify for unemployment compensation if they are forced to stay home due to child's school or daycare closure
3. If told not to report to work to prevent the spread of illness or to reduce risk of coming in contact with COVID-19

[PA Office of Unemployment Compensation](#)

SELF-CARE

MANAGING STRESS AND ANXIETY

➤ Tips for Managing Stress and Anxiety

- Give yourself a break several times a day from media outlets, including watching TV, reading, social media or listening to the news. Repeatedly hearing about the pandemic can be upsetting.
- Focus on taking care of your body. Meditate, take deep breaths, practice yoga, stretch or listen to calming music.
- Eat nutritious, well-balanced meals.
- Exercise regularly, and try to get outside for a few minutes each day.
- Get good rest and plenty of sleep, and avoid alcohol and drugs.
- Schedule time to unwind. Aim to do some activities you enjoy.
- Connect with others. Reach out to talk with people you trust about your worries, concerns and how you are feeling.
- **Call your healthcare provider if stress gets in the way of your daily activities for several days in a row.**

FINANCING AND LOAN OPTIONS

➤ Short-Term Financing Options

	Business Line of Credit	SBA Economic Injury Disaster Loan (EIDL)	SBA Express Loan
Loan Size	\$50,000 - \$1,000,000+	Up to \$2,000,000	Up to \$350,000
Eligibility	Based on creditworthiness of borrower and guarantors	Only if credit is unavailable elsewhere Size standards by industry	Creditworthiness important: SBA guarantees 50%. For-profit entities only. Size standards
Approval and Funding Timeline	On demand for existing LOC in compliance Weeks for new LOC	2-3 weeks for credit decision + signed loan docs + 5 days for initial funding	Approval: ≤36 hours Funding: ≤90 days
Fees and Interest Rate	Closing costs and annual fees Rates vary based on credit and collateral (often 5% - 7%)*	Small business: 3.75% Not-for-profit: 2.75%	Lender and SBA guaranty fee 8.75% - 10.75%
Term	Typically 1-5 years*	Up to 30 years	Up to 7 years for line of credit
Other Considerations	Banks' lending appetite	Volume of applications, can apply without committing	Congress discussing adaptations for COVID-19
Additional Info	Contact your bank	disasterloan.sba.gov	Contact a Certified Development Company or bank

* Rates, fees and terms are on a lender-by-lender and case-by-case basis. Figures are shown for illustrative purposes only.

➤ Potential Programs in PA

	Killion (DCED)	Scarnati (PIDA)	Gaydos-Solomon
At a glance	\$125 million for PA Dept. of Community and Economic Development (DCED)	\$60 million fund through the Pennsylvania Industrial Development Authority (PIDA)	Two types of loans proposed – short term and longer term resiliency
Loan size		Up to \$100,000	
Interest rate	0% interest	0% interest No application fees No payments year 1	Low to no interest
Known requirements		≤ 100 full time employees	

Information as of 9:00 a.m. on March 20, 2020 and subject to change.

➤ Other Options and Considerations

Personal funding

- Infusion of capital from personal savings
- Use of personal credit (credit cards, HELOC, etc.)

Business interruption insurance

- Check with your insurer or agent to see whether COVID-19 is a covered event

Cash conservation

- Prioritize payments
- Extend non-essential payables

Last resorts

- Divestitures
- Layoffs
- Distressed sale

➤ How Can My Advisors Help Me?

- **RKL:** HR, tax, wealth management, cybersecurity, risk management, IT, etc.
- **Attorney:** Labor/employment matters, contract matters, etc.
- **Banker:** Bridge loan, enhanced line of credit, modified loan terms, etc.
- **Insurance Agent:** Health/disability policy, business interruption, etc.
- **Small Business Administration and Economic Development Centers:** SBA Eastern PA District branches offices in King of Prussia and Harrisburg; local economic development centers (typically one per county)

THANK YOU FOR PARTICIPATING

Questions? Contact today's presenters:

- ewenger@RKLcpa.com
- slsmith@RKLcpa.com
- rhurst@RKLcpa.com

Stay tuned to rklcpa.com for more updates and resources.