

To Our Valued Clients:

After days of furious negotiations, Congress has passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The \$2.2 trillion price tag for tax relief and incentives for individuals and businesses makes it the most expensive piece of legislation ever passed. It includes a provision for a refundable payroll tax credit for 50 percent of wages paid by employers to employees during the COVID-19 crisis.

The CARES Act grants eligible employers a credit against employment taxes equal to 50 percent of qualified wages paid to employees who are not working due to the employer's full or partial suspension of business or a significant decline in gross receipts. The credit can be claimed on a quarterly basis, but the amount of wages, including health benefits, for which the credit can be claimed is limited to \$10,000 in aggregate per employee for all quarters.

This credit is not available to Employers who participate in the Paycheck Protection Program.

An eligible employer is defined as:

An employer whose trade or business is fully or partially suspended during the calendar quarter due to orders from an appropriate governmental authority limiting commerce, travel, or group meetings (for commercial, social, religious, or other purposes) due to the coronavirus disease (COVID-19); or

An employer that experiences a 50% decline in gross receipts for the calendar quarter compared to the same quarter in the prior year.

Qualified Wages. The credit applies to qualified wages paid after March 12, 2020 and before January 1, 2021. If the employer has more than 100 full-time employees, qualified wages are wages paid to employees who cannot work during the COVID-19-related circumstances described above. If the employer has 100 or fewer full-time employees, all employee wages qualify for the credit, whether the employer is open for business or subject to a shut-down order.

Please contact us if you would like further information or assistance in implementing this provision.

Sincerely,



DENMAN & COMPANY, LLP