



Overview of the American Rescue Plan Act & Impacts to Your Organization

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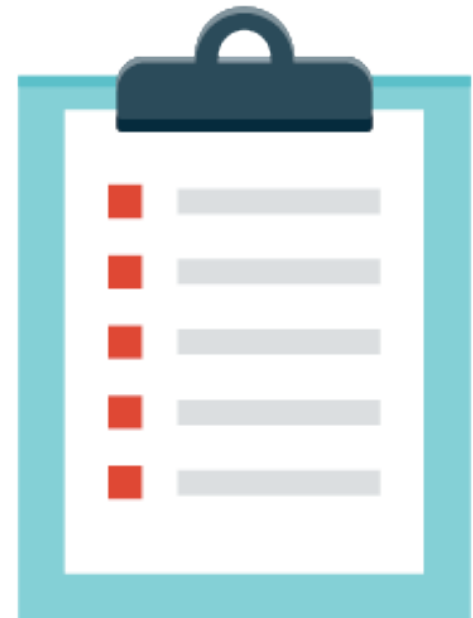
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Agenda

- Background on ARPA
- Coronavirus Response & Relief
 - Individuals
 - Businesses
 - Payroll
 - Changes to Employee Retention Credit
- How Mercadien Can Help
- Q&A



American Rescue Plan Act

- \$ 1.9 Trillion
- Signed into law March 11, 2021
- Extends & expands provisions of:
 - Family First Coronavirus Relief Act (FFCRA)
 - Coronavirus Aid, Relief & Economic Security Act (CARES)
 - Consolidated Appropriations Act (CAA)
- Individual Provisions
- Payroll Provisions
- Business Tax Provisions
- Pension Provisions



Family First Coronavirus Relief Act (FFCRA)

Original Act Intent

- Requires certain employers to provide paid sick leave and/or expanded family & medical leave for specific reasons.
- Requirements were through Dec. 31, 2020
- 2 weeks (up to 80 hours) paid sick leave – regular pay rate
- 2 weeks (up to 80 hours) paid sick leave at 2/3 of pay rate to care for sick child etc.
- 10 additional weeks of paid expanded family leave
- Private companies/nonprofits with < 500 employees
- Businesses with fewer than 50 employees exempt from certain requirements
- Paid leave is funded with tax credits

Changes from ARPA to FFCRA

- Applies effective with calendar quarters beginning **AFTER** 3/31/21
- Extends the FFCRA paid sick time & family leave credits from March 31, 2021 through September 30, 2021.
- Provides that paid sick & family leave credits may each be increased by the employer's share of Social Security tax (6.2%) & employer's share of Medicare tax (1.45%) on qualified leave wages.
- Permits Treasury Secretary to waive for failure to deposit penalties on "applicable employment taxes" if the failure to deposit is due to an anticipated credit.
 - "Applicable employment taxes" are defined as the employer's share of Medicare or Tier 1 RRTA tax.

Changes from ARPA to FFCRA *(cont'd.)*

- Allows for the credits for paid sick & family leave to be structured as a refundable payroll tax credit against Medicare tax only (1.45%), beginning after March 31, 2021.
- IRS Fact Sheet FS 2021-09
- Increases amount of wages for which an employer may claim the paid family leave credit in a year from \$10,000 to \$12,000 per employee.



Changes from ARPA to FFCRA (*cont'd.*)

- Expands paid family leave credit to allow employers to claim the credit for leave provided for the reasons included under the previous employer mandate for paid sick time.
- For the self-employed, the number of days for which self-employed individuals can claim the paid family leave credit is increased from 50 to 60 days.



Daily Costs from FFCRA Example

See attachments here -

<https://www.mercadien.com/resource/mercadien-webinar-replay-overview-of-the-american-rescue-plan-act-impacts-on-your-organization/>

FFCRA Example Calculation

See attachments here -

<https://www.mercadien.com/resource/mercadien-webinar-replay-overview-of-the-american-rescue-plan-act-impacts-on-your-organization/>

Sample 941 Worksheet

See attachments here -

<https://www.mercadien.com/resource/mercadien-webinar-replay-overview-of-the-american-rescue-plan-act-impacts-on-your-organization/>

Changes to Employee Retention Credit

Employee Retention Tax Credit – Updates from ARPA

Attribute	CARES Act	Consolidated Appropriations Act	American Rescue Plan Act
Qualification	Business operations fully or partially suspended as a result of government mandate <u>OR</u> significant decline in gross receipts (50%)	Significant decline - gross receipts reduced by 20% (compared to same quarter of 2019)	Adds Recovery Startup businesses (began business after 2/15/20 & meet certain gross receipt requirements). Adds severely financially distressed employers (decline in quarterly gross receipts of 90% or more compared to 2019)
Eligible Period	Through December 31, 2020	Extended through 1 st 2 quarters of 2021	Extended thru end of 2021 (Q3 and Q4)
PPP Borrowers	Not eligible	Eligible, retroactive to March 13, 2020 but cannot double dip. Must exclude wages covered with PPP proceeds *	Eligible, retroactive to March 13, 2020 but cannot double dip. Must exclude wages covered with PPP proceeds *
Employer Size	No exclusion, limitations on wages over 100 employees	No exclusion, limitations on wages over 500 employees	No exclusion, limitations on wages over 500 employees unless they are severely financially distressed.

Employee Retention Tax Credit – Updates from ARPA

Attribute	CARES Act	Consolidated Appropriations Act	American Rescue Plan Act
Amount & Limitations of Credit	50% of qualified wages, up to \$5,000 for each FTE (\$10,000 annual wage limit) 3/20/20-12/31/20	70% of qualified wages, up to \$14,000 for each FTE (\$10,000 quarterly wage limit) 1/1/21-6/30/21	70% of qualified wages, up to \$14,000 for each FTE (\$10,000 quarterly wage limit) AND 100% of wages up to \$10K / quarter/FTE for severely financially distressed employers 7/1/21-12/31/21
Qualified Wages	Wages include healthcare expenses. Specific guidance on calculation of FTEs. Depending on FTEs, only count employees not providing services. Cannot use qualified wages for paid family medical leave or those paid with PPP proceeds *		Same
How to Calculate Gross Receipts	No definition applicable for tax exempt entities	Tax exempt: contributions, gifts, grants, dues or assessments, sales or receipts from unrelated business activities, sale of assets, & investment income (e.g., interest, dividends, rents & royalties)	Same as CAA but see Recovery start up business definition

Employee Retention Tax Credit – Updates from ARPA

Attribute	CARES Act	Consolidated Appropriations Act	American Rescue Plan Act
How to Claim	Form 941 – credit against employer’s share of Social Security (6.2%) Form 7200 – request advance Can Amend Form 941		Beginning 7/1/21 credit only against employer’s share of Medicare (1.45%)
Important items to note *	IRS has provided FAQs but those have not yet been updated to reflect the CAA. Additional guidance & clarification relating to those employers that paid wages with PPP proceeds expected.		The statute of limitations for assessments related to ERTC will not expire until 5 years from date that original return claiming the credit is filed.

What Should You Do Now?

- ✓ Understand the eligibility criteria
- ✓ Consult with your payroll tax provider regarding the credits & your eligibility
- ✓ Make sure that your payroll provider wage and hour categories approach
- ✓ Consult with Mercadien as necessary for clarification on eligibility determination



No Double Dipping Allowed

See attachments here -

<https://www.mercadien.com/resource/mercadien-webinar-replay-overview-of-the-american-rescue-plan-act-impacts-on-your-organization/>

Coronavirus Response & Relief

Assistance to Individuals, Families & Businesses

Unemployment Insurance - CAA

- Extension of Pandemic Unemployment Assistance to March 14, 2021 & allows individuals receiving benefits as of 3/14/2021 to continue thru 4/5/21 as long as they have not reached their max weeks
- Increases number of weeks you can collect from 39 to 50
- Allows Federal support to cover 50% of cost of UC benefits for employees of Gov't & NPOs
- Restores the Federal unemployment supplement to \$300 per week (12/26/20 - 3/14/21)



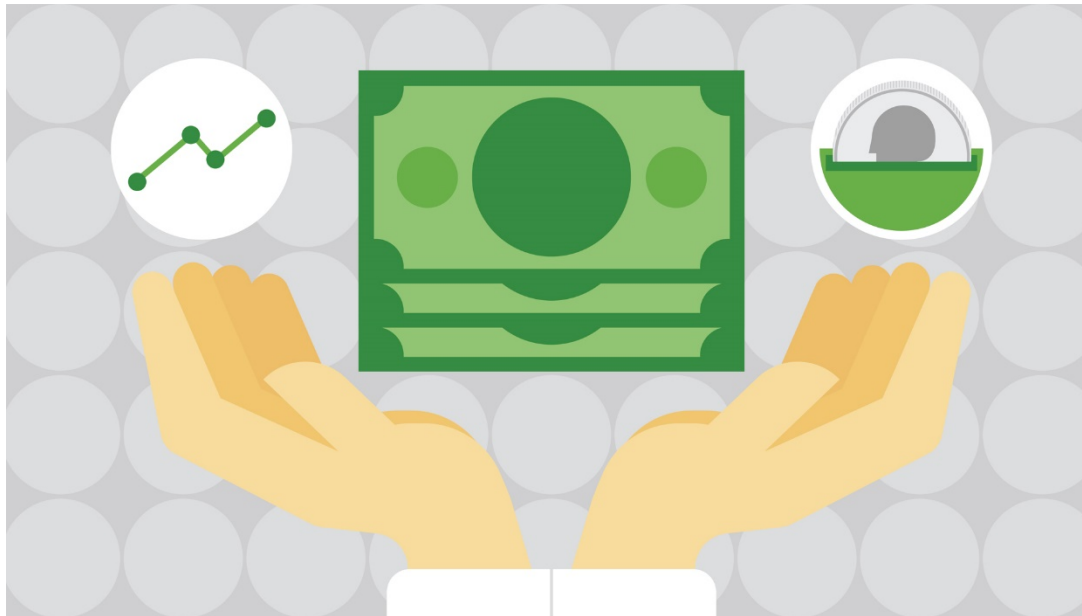
Unemployment Insurance - ARPA

- Extension of Pandemic Unemployment Assistance to 9/6/21
- Extends the Federal unemployment supplement of \$300 per week (3/14/21 – 9/6/21)
- The first \$10,200 of unemployment benefits are not taxable for Federal purposes. If MFJ this is on a per spouse basis. This exclusion applies if the 2020 AGI is < \$150,000 (S, MFS, or MFJ)
- If you had already filed your return w/ came out, do not file an amended return to refund the tax.



Individual Provisions

- Earned Income Credit
- Child Tax Credit
- Student Loan Discharge of Debt



Individual Tax Matters

- Federal, NJ & various other states filing deadline extended until 5/15/21
- Quarterly estimates were still due 4/15
- Gift tax returns were not auto extended
- FBAR forms were still due 4/15, but if missed deadline, auto extended to 10/15/21.
- Recovery rebates - if you did not receive your recovery rebate (\$1200 & \$600) you can claim it on your 2020 income tax return



Business Provisions

- Deductions for expenses paid using PPP loan proceeds - ***Don't forget to check the state rules!***
- **COBRA Premium Subsidies for certain eligible individuals** – employee, former employee, covered spouse or covered dependent who is eligible & elects COBRA coverage due to involuntary termination of employment or reduction of hours 4/1 - 9/30/21. The employee can get a subsidy & the employer can get a tax credit against Medicare payroll tax
- **Employer provided dependent care** - employees can exclude from income increased amounts from income (Now \$10K, was \$5K or \$5,250 for MFS, was \$2,500)

Business Provisions *(cont'd.)*

- Beginning Jan. 1 , 2021 though Dec. 31, 2022, businesses can **temporarily deduct 100% of their food or beverage expenses**
- Can deduct as long as the business owner or an employee of the business is present when the food or beverages are provided
- Grocery stores & convenience stores not included, must be a restaurant

Targeted Economic Injury Disaster Loan Advances

- What are these?
- Not included in gross income.
- Treated as tax-exempt income for partnerships or S corps

Paycheck Protection Program Modifications

Paycheck Protection Program Revisited

Attribute	CARES Act (Flexibility Act)	Consolidated Appropriations Act	American Rescue Plan Act
Qualification	Generally, U.S. businesses, 501(c)(3), veterans organizations, less than 500 employees	<ul style="list-style-type: none"> - Now includes 501(c)(6) organizations - No more than 300 employees for second draws 	<ul style="list-style-type: none"> - Adds certain internet-only news publishers - Adds 501(c) labor orgs., social and recreational clubs, religious groups and fraternal benefit societies
Maximum Loan Amount	\$10 million	\$2 million for second draws	No changes
Loan Calculation	2.5 times average monthly payroll (as defined)	Same except for increase to 3.5 times for certain industries (hotels & restaurants)	No changes

Paycheck Protection Program Revisited

Attribute	CARES Act (Flexibility Act)	Consolidated Appropriations Act	American Rescue Plan Act
Payroll Costs	<ul style="list-style-type: none"> - Salary, wage, commission, or similar compensation - Group Healthcare - Retirement - State or local payroll tax 	Clarified that group healthcare includes group life, disability, vision, or dental insurance	Loans rec'd on or after 3/11/21 can not use COBRA premium subsidy payments towards payroll costs since they are eligible for a 100% reimbursement via a payroll tax credit.
Eligibility Criteria	Economic uncertainty borrower certification	> 25% revenue loss in any quarter when compared to same quarter 2019 (does not include PPP proceeds) – 2 nd draw	Added 501(c)(3) orgs if employ no more than 500 employees per physical location, 501(c)(6) and 501(c) orgs exempts under section 501(a) with exceptions with < 300 employees per location

Paycheck Protection Program Revisited

Attribute	CARES Act (Flexibility Act)	Consolidated Appropriations Act	American Rescue Plan Act
Eligible Expenses for Forgiveness	Payroll, mortgage interest, rent & utilities	Now includes: <ul style="list-style-type: none"> - Covered operations expense - Property damage - Supplier cost - Worker protection expense (PPE) 	- No Changes (see COBRA above)
Covered Period	8 or 24 weeks	Any covered period between 8 & 24 weeks	No changes

Paycheck Protection Program Revisited

Attribute	CARES Act (Flexibility Act)	Consolidated Appropriations Act	American Rescue Plan Act
Forgiveness Application	3 forms <ul style="list-style-type: none"> - 3508S Loans under \$50,000, documentation required - 3508 EZ No reduction in FTEs or Wages - 3508 all others 	Changes to 3508S <ul style="list-style-type: none"> - Loans under \$150,000 - Identification of payroll costs on form in lieu of supporting documentation - Supporting documentation for eligible expenses <u>not</u> required 	<ul style="list-style-type: none"> - No changes
EIDL Advance Interplay	Deducted from forgiveness amount since it was considered an advance on the loan	Not considered in the forgiveness application. If already applied for forgiveness, additional forgiveness for EIDL advance forthcoming via reconciliation	No changes

When Can I Apply?

- Now thru **May 31, 2021**
 - **NOTE:** If you did not take a first draw loan you must do that before applying for a second draw loan.
 - Lender submission process to the SBA has changed.



Our Experience With Forgiveness Thus Far

- Most banks have opened their portals to accept forgiveness applications
- Others have suspended their forgiveness portals to accommodate the new rules & guidance
- Simplified for loans \$150K or less – the process on the various lender portals is quite simple, but don't forget to keep all of your backup to prove your forgiveness.



Restaurant Revitalization Grant Program

Restaurant Revitalization Grants

- What are these?
- How much is available?
- How much can I get
- How do I apply?

Restaurant Revitalization Grants

- Amounts received are not included in gross income.
- For partnerships or S corps that receive a revitalization grant, any amount of the advance excluded from income is treated as tax-exempt income.



Restaurant Grants Target Small Restaurants

- Eligible businesses include:

- Restaurants
- Caterer
- Inn
- Tavern
- Tasting room
- Bar
- Lounge
- Food truck, cart or stand



- Priority on those controlled by women, vets, socially & economically disadvantaged individuals

Restaurant Grants *(cont'd.)*

- **Ineligible businesses include:**

- × State or local government-operated businesses
- × Restaurant chains, (w/ affiliates), who own or operate more than 20 locations as of 3/13/2020
- × Restaurants connected to arts types entities that have a pending application for or have received a shuttered venue operations grant
- × Publicly traded companies

Restaurant Grants *(cont'd.)*

- Grant = pandemic related revenue loss
- Difference between their 2020 gross receipts & 2019 gross receipts, reduced by any amounts received from PPP1 or PPP2
- Special rules for businesses with operations starting in 2019 or 2020
- Max grant is \$5M per location & max of \$10M in total for affiliated group
- Funds used for eligible expenses incurred from 2/15/20 - 12/31/21

Restaurant Grants *(cont'd.)*

- **Eligible expenses include:**
 - Payroll costs
 - Mortgage principal & interest payments
 - Rent
 - Utilities
 - Maintenance
 - Construction of outdoor seating
 - Supplies & PPE
 - Food & beverage exp. (inventory)
 - Covered supplier cost
 - Operating expenses
 - Etc. as determined by SBA as essential to maintaining the business
- **No double-dipping with PPP, ERTC, etc.**

Shuttered Venue Operator Grant (SVOG)

SVOG

- **Eligible businesses include:**

- ✓ Live venue operators or promoters
- ✓ Theatrical producers
- ✓ Live performing arts organization operators
- ✓ Relevant museum operators, zoos and aquariums who meet specific criteria
- ✓ Motion picture theater operators
- ✓ Talent representatives
- ✓ Each business entity owned by an eligible entity that also meets the eligibility requirements

SVOG *(cont'd.)*

- **Other requirements of note:**

- Must have been in operation as of February 29, 2020
- Venue or promoter who received a PPP loan on or after December 27, 2020, will have the SVOG reduced by the PPP loan amount

- **Grant amounts will reflect either of the following instances:**

- For an eligible entity in operation on January 1, 2019, grants will be for an amount equal to 45% of their 2019 gross earned revenue OR \$10 million, whichever is less.
- For an eligible entity that began operation after January 1, 2019, grants will be for the average monthly gross earned revenue for each full month you were in operation during 2019 multiplied by six (6) OR \$10 million, whichever is less.

SVOG Prioritization

First priority

First 14 days of grant awards

Entities that suffered a **90% or greater** revenue loss between April 2020 through December 2020 due to the COVID-19 pandemic.

Second priority

Next 14 days of grant awards

Entities that suffered a **70% or greater** revenue loss between April 2020 through December 2020 due to the COVID-19 pandemic.

Third priority

Beginning 28 days after first and second priority awards are made

Entities that suffered a **25% or greater** earned revenue loss between one quarter of 2019 and the corresponding quarter of 2020.

Supplemental funding

Available after all Priority Periods have passed

Recipients of first, second, and third priority round awards who suffered a 70% or greater revenue loss for the most recent calendar quarter (as of April 1, 2021, or later).

SVOG *(cont'd.)*

- **Eligible expenses include:**

- Payroll costs
- Rent & utility payments
- Scheduled mortgage payments (*not including prepayment of principal*)
- Scheduled debt payments (*not including prepayment of principal on any indebtedness incurred in the ordinary course of business prior to February 15, 2020*)
- Worker protection expenditures
- Payments to independent contractors (*not to exceed \$100,000 in annual compensation per contractor*)
- Other ordinary & necessary business expenses, including maintenance costs
- Administrative costs (*including fees and licensing*)
- State & local taxes & fees
- Operating leases in effect as of February 15, 2020
- Insurance payments
- Advertising, production transportation & capital expenditures related to producing a theatrical or live performing arts production. (*May not be primary use of funds*)

- **No double dipping with PPP, ERTC, etc.**

Questions?



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