

CARES Act Stimulus Package Important Provisions for NECA Contractors to Know

Direct Stimulus Payment:

The federal government will give its citizens a direct, one-time payment of \$1,200 per adult and \$500 per child. Single adults with incomes up to \$75,000 will get the full amount. Payments will be reduced by \$5 for every \$100 increase in income about this amount, until no stimulus payment is granted to those making more than \$99,000. Married couples are eligible for a \$2,400 check if their adjusted gross income is under \$150,000 a year. Reduced checks will be given to married couples who earn up to \$198,000. People who file taxes as “head of household” are eligible for a \$1,200 check if they earn up to \$112,500 a year. Reduced checks will be given to heads of household earning up to \$136,500 annually. For each child under 17, married couples and heads of household will additionally receive \$500.

\$600 Unemployment Insurance Boost:

Anyone receiving unemployment benefits will automatically receive \$600 extra per week from the federal government. This is on top of usual state benefits, which states calculate differently. Pennsylvania has a maximum state benefit of \$573 per week. If a PA resident qualifies for the maximum benefit, they will receive a total of \$1,173 per week. However, PA calculates unemployment benefits by taking the average weekly salary of an employee and dividing it by two, so not everyone will get the full maximum benefit. Delaware’s maximum state benefit is \$400 per week. If a DE resident qualifies for the maximum benefit, they will receive a total of \$1,000 per week. DE weekly unemployment benefits are determined by the total amount an applicant earned during the “two highest paid quarters of the base period, divided by 46.

Retirement Plan Early Withdrawal:

Individuals will be permitted to take a penalty-free distribution from their IRAs and qualified retirement plans up to \$100,000. The standard 10 percent penalty for withdrawals under the age of 59 would be waived. The no-penalty allowance applies to coronavirus-related distributions. This means that people who have been diagnosed with the virus or have experienced financial hardship due to quarantine, layoffs, reduced hours, or furloughs between the legislation’s enactment through December 31, 2020 can draw upon their retirement benefits without being subjected to a penalty. Any retirement distributions must be included in gross income and is subject to regular income tax, but this can be spread out and taken over three years.

SBA Paycheck Protection Loan Program:

The federal government will have private lending institutions offer and administer loans for small businesses of **500 or fewer employees** to incentivize them to not lay off their employees. Maximum loan amounts will be \$10 million, based on how much the company paid its employees between January 1, 2020 and February 29, 2020. Interest rates will be up to 4%. The loan principal can be forgiven and transformed into a grant if the company maintains the average size of its full-time workforce based on when it received the loan and uses the loaned funds for payroll, rent, mortgage interest, and utility payments. Interest accrued must still be paid off.

Employee Retention Tax Credit:

The federal government will offer a 50% tax credit for wages paid by employers that suspended operations due to COVID-19 emergency shutdown orders or saw a 50% or greater reduction in gross receipts compared to the same quarter in the prior year. For employers with over 100 full-time employees, qualified wages include those paid when not providing services due to COVID-19 shutdowns. For employers with 100 or fewer employees, all wages qualify. Credit is for the first \$10,000 of compensation (including health benefits). This provision applies from March 13 through December 31, 2020.

Business Payroll Tax Deferral:

Employers will be permitted to defer 2020 payment of the employer share of the Social Security tax they otherwise are responsible for paying to the federal government with respect to their employees. Deferred employment taxes must be paid over the following two years, with half of the amount required to be paid by December 31, 2021 and the other half by December 31, 2022.

Net Operating Losses (NOL) Carry-Back Rule:

An NOL arising in a tax year beginning in 2018, 2019, or 2020 will be allowed to be carried back five years to reduce income in prior tax years. The 'taxable income limitation' will also be temporarily removed so that an NOL can fully offset income.