



CARES Act Information *for Contractors*

April, 2020



Coronavirus Aid, Relief, and Economic Security (CARES) Act

- The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress with overwhelming, bipartisan support and signed into law by President Trump on March 27th, 2020. This over \$2 trillion economic relief package delivers on the Trump Administration's commitment to protecting the American people from the public health and economic impacts of COVID-19.
- The CARES Act provides *fast and direct* economic assistance for American workers, families, and small businesses, and preserves jobs for our American industries.

Agenda

- CARES Act
 - Overview of HR-related provisions
 - Implications for existing contractors compensation & benefits programs and for options considered as a response to the pandemic
- Texas Specific Info
 - Unemployment Links
- Appendix

Overview of CARES Act

Provisions most relevant to Contractor Employers

UNEMPLOYMENT INSURANCE	PAYROLL TAX	RETIREMENT PLANS	OTHER
<ul style="list-style-type: none">■ Providing an additional \$600/ week unemployment payment for up to four months (until July 31, 2020)■ No waiting period for unemployment benefits through end of 2020■ Additional 13 weeks of unemployment benefits through end of 2020■ Funding for “short-time” compensation programs where employers reduce employee hours instead of laying off workers and the employees with reduced hours receive a pro-rated unemployment benefit	<ul style="list-style-type: none">■ Allows employers to defer payment of the employer share of the Social Security tax. An estimated \$50M will be deferred in 2020 (\$4.5M received to date). The deferred payroll tax is required to be paid over the following two years, with half the amount required to be paid by December 31, 2021 and the other half by December 31, 2022■ Provides a refundable payroll tax credit for 50% of wages paid by employers to employees during the COVID-19 crisis (up to \$5,000 per employee). The credit is available to employers whose (1) operations were fully or partially suspended, due to a COVID-19 governmental shutdown order, or (2) gross receipts declined by >50% when compared to the same quarter in the prior year	<ul style="list-style-type: none">■ For 401(K) Plan employee hardship withdrawals due to COVID-19, increases the withdrawal limit to \$100,000, waives the 10% penalty for the withdrawal, and allows the employee to either pay related income taxes over a 3-year period or repay the withdrawal over a 3 year period to the Plan to avoid income taxes■ For 401(K) Plan employee loans due to COVID-19, increases the loan limit to the lesser of \$100,000 or 100% of the participant’s vested account balance, and employees who have plan loan repayments due in 2020 have an extra year to make such repayments	<ul style="list-style-type: none">■ 2020 Recovery Rebates for Individuals- US residents with AGI up to \$75,000 (\$150,000 married) are eligible for up to \$1200 (\$2400 married) rebate.■ Provides access to health care under BASF medical plans without employee cost share for COVID-19 related needs■ Enables employers to provide a student loan repayment benefit to employees on a tax-free basis. An employer would be able to contribute up to \$5250 annually toward an employee’s student loans, and such payment would be excluded from an employee’s income.■ Exclusion from employee taxable income certain childcare reimbursement expenses due to President Trump’s COVID-19 Emergency Declaration (IRC Section 139)

Unemployment Implications for Contract Employees

Taking into consideration state unemployment benefits

- ☐ Partial payment can cause a worker to be ineligible for (or see a reduction in) state unemployment benefits. The impact of partial payment by an employer on an employee's ability to receive State unemployment benefits largely varies state-by-state.
- ☐ The contractor's **employer** can file a Plan with the State Unemployment Office for Short-Time Compensation if the contractor is working part-time and the program is available (currently available in 26 states). **Texas** is one of the 26 states with a short time compensation program
- ☐ State unemployment offices currently have backlogs in the processing of claims
- ☐ Advise contractor employers to inform themselves about the unemployment benefits available in the specific state and decide on the best approach for contractor employees.

Texas state unemployment information:

Coronavirus update: Texas is providing updates on Unemployment Insurance changes related to COVID-19 here:

<https://twc.texas.gov/news/unemployment-news>



Texas Unemployment Insurance

Unemployment Rates with Cares Act enhancements

	How much unemployment is the employee entitled to receive? What is the max benefit	Is there a delay before the employee can start collecting benefits?
Texas	Weekly benefit amounts, which are now capped at a maximum of \$521 per week, are calculated by dividing the base period quarter with the highest wages by 25, and then rounding to the nearest dollar.	The Texas Workforce Commission suggests that the first unemployment benefits payment might take close to a month. Specifically, on the topic of "Payment Timing," the TWC offers the following explanation to employees: "If you are eligible, we will issue your first payment approximately four weeks after you apply for benefits. Typically, your first payment is only for one week even though you submitted a payment request for two weeks. This is because the first payable week is your 'waiting week.'"
Cares Act	Weekly Unemployment benefits are increased by \$600.00 through July 31, 2020	Waiting period has been removed. However, increased volume in unemployment filing may cause a delay in payment of unemployment benefits.

With the Cares Act Unemployment enhancements, the Texas total maximum unemployment weekly amount will be \$1,121.00 thru July 31st



Texas Unemployment Information for Contract Employees

Location

Texas

Find More Local Help

American Job Centers

[American Job Center Finder](#)

Employment and Training Programs

[Apprenticeship Office Finder](#)

[Employment Network Finder](#)

[Farmworker Jobs Program Finder](#)

[Job Corps Center Finder](#)

[Native American Program Finder](#)

[Older Worker Program Finder \(SCSEP\)](#)

[Refugee Assistance Finder](#)

[WIOA Eligible Training Program](#)

[Youth Program Finder](#)

Community Services

Please note that states are in the process of updating their websites to reflect newly expanded benefits ([read more about COVID-19 related unemployment changes](#)). For now you should file for benefits as directed on your state's website and look for information about how to receive future updates. Most state websites have updated FAQs to describe their status and advise you on how to trouble-shoot your application. Also note that many states are experiencing high volumes of traffic and ask filers to be patient and persistent.

Location

Texas

Search 

Texas Unemployment Insurance Program

General Information about the Unemployment Insurance Program:

<https://www.twc.texas.gov/jobseekers/unemployment-benefits-services>

To file a UI claim online:

<https://www.twc.texas.gov/jobseekers/unemployment-benefits-services#applyForBenefits>

To file a claim by telephone number:

<https://www.twc.texas.gov/jobseekers/applying-unemployment-benefits#howToApply>

Coronavirus update: Texas is providing updates on Unemployment Insurance changes related to COVID-19 here:

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Families First Coronavirus Response Act - Implications for Contract Employees

The **Families First Coronavirus Response Act (FFCRA or Act)** requires certain employers to provide employees with paid sick leave or expanded family and medical leave for specified reasons related to COVID-19. The Department of Labor's (Department) Wage and Hour Division (WHD) administers and enforces the new law's paid leave requirements. These provisions will apply from the effective date through December 31, 2020.

Generally, the Act provides that employees of covered employers are eligible for:

- **Two weeks (up to 80 hours) of paid sick leave** *at the employee's regular rate of pay* where the employee is unable to work because the employee is quarantined (pursuant to Federal, State, or local government order or advice of a health care provider), and/or experiencing COVID-19 symptoms and seeking a medical diagnosis;
- **Two weeks (up to 80 hours) of paid sick leave at two-thirds the employee's regular rate of pay** because the employee is unable to work because of a bona fide need to care for an individual subject to quarantine (pursuant to Federal, State, or local government order or advice of a health care provider), or to care for a child (under 18 years of age) whose school or child care provider is closed or unavailable for reasons related to COVID-19, and/or the employee is experiencing a substantially similar condition as specified by the Secretary of Health and Human Services, in consultation with the Secretaries of the Treasury and Labor;
- **Up to an additional 10 weeks of paid expanded family and medical leave at two-thirds the employee's regular rate of pay where an employee, who has been employed for at least 30 calendar days, is unable to work due to a bona fide need for leave to care for a child whose school or child care provider is closed or unavailable for reasons related to COVID-19.**
- **Covered Employers:** The paid sick leave and expanded family and medical leave provisions of the FFCRA apply to certain public employers, and private employers with **fewer than 500 employees.**^[1] Most employees of the federal government are covered by Title II of the Family and Medical Leave Act, which was not amended by this Act, and are therefore not covered by the expanded family and medical leave provisions of the FFCRA. However, federal employees covered by Title II of the Family and Medical Leave Act are covered by the paid sick leave provision.



Unemployment Insurance

States must “opt” in for these enhanced benefits

Section	IMPACT	
	Employer	EE
Providing an additional \$600/week payment for up to four months (until July 31, 2020)	High	High
No waiting period for unemployment benefits through end of 2020	High	High
An additional 13 weeks of unemployment benefits through end of 2020	Medium	Medium
Funds “short-time” compensation programs where employers reduce employee hours instead of laying off workers and the employees with reduced hours receive a pro-rated unemployment benefit.	Medium	Medium

The screenshot shows the official website of the U.S. Department of Labor. At the top, there is a navigation bar with the department's name and a search bar. Below this, a blue banner features the text "Coronavirus Resources" over a background image of red and orange virus particles. A sidebar on the left lists "Coronavirus Resources" and "Unemployment Insurance Relief During COVID-19 Outbreak". The main content area contains a heading "Coronavirus Resources" and a paragraph stating: "The U.S. Department of Labor has resources to help workers and employers prepare for the COVID-19 virus (also known as novel coronavirus)."

Coronavirus update: Texas is providing updates on Unemployment Insurance changes related to COVID-19 here:

<https://twc.texas.gov/news/unemployment-news>



Base Pay Cost Optimization Options and Impact of the CARES Act

Overview of the Compensation Options Previously Presented and the impact of CARES Act

COMPENSATION OPTIONS	EMPLOYER IMPACT	CONSIDERATIONS
Furlough 80% <i>(temporary lay off with 80% work and 80% pay)</i>	Improved	In <u>certain</u> states, short-time compensation allows for avg. 51% replacement of the furloughed income. Good site-specific solutions.
Furlough 60% <i>(temporary lay off with 60% work and 60% pay)</i>		
Furlough 0% <i>(temporary lay off with no work and no pay)</i>	Improved	Even though unemployment benefits have increased substantially, the impact to exempt employees with salaries >\$90K is severe.

Additional incentive compensation and benefits cost optimization options still exist (as previously reviewed) and are not impacted by The Cares Act.

Short-Time Unemployment Compensation

Purpose:

- Short-Time Compensation (STC), also known as work sharing or shared-work program, is an alternative to layoffs for employers experiencing a reduction in available work. STC preserves employees' jobs and employers' trained workforces during times of lowered economic activity. STC allows employers to reduce hours of work for employees rather than laying-off some employees while others continue to work full time. Those employees experiencing a reduction in hours are allowed to collect a percentage of their unemployment compensation (UC) benefits to replace a portion of their lost wages. STC cushions the adverse effect of the reduction in business activity on workers by averting layoffs and ensures that these workers will be available to resume prior employment levels when business demand increases.
- 26 states have operational programs (Arizona, Arkansas, California, Colorado, Connecticut, Florida, Iowa, Kansas, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, New Hampshire, New Jersey, New York, Ohio, Oregon, Pennsylvania, Rhode Island, **Texas**, Vermont, Washington, and Wisconsin).

Eligibility:

- In order to receive benefits under the STC program, **employers must have an approved STC plan in place with the appropriate state workforce agency.** The STC application process is initiated by employer(s) and not employee(s). Therefore, in order for employees with reduced hours to potentially be eligible for STC, the employer must submit an application to the appropriate state agency and the state must approve the employer's application/plan.
- In order to qualify for STC, employees must first be determined to be eligible for UC. While receiving UC benefits under an STC plan, employees are not required to meet availability or work search requirements, but they are required to be available for their normal workweek. Also, employees who are eligible to participate in an employer's STC plan may be required to serve a mandatory "waiting week," which is a non-paid week (required by most states).

Benefits:

- The amount of UC paid to individuals filing for STC is a pro-rated portion of the UC payment they would have received if they were totally unemployed.



Short-Time Unemployment Compensation

Compensation Supplement for Furlough 60% and Furlough 80% in Select States

Short-time compensation provides unemployment benefits for employees who have not been furloughed at 100% or laid off but whose hours and pay have been reduced to 90% - 60% of base pay levels. About half the US states currently offer or have offered some form of short-time compensation. **Employers must** enroll by filing a written short-time compensation plan with the sponsoring state. Employees then file for weekly unemployment benefits that are pro-rated depending on the amount of the reduction in hours and pay from the employer.

- ☐ The salary replacement ratios are high and should not create a significant burden for the impacted employees
- ☐ List of states offering the programs and benefit level available in the Appendix

Unemployment Insurance - Implications

Taking into consideration previously developed furlough and salary reduction scenarios

As unemployment insurance benefits have been increased significantly until **July 31, 2020** and the waiting period has been waived, a furlough 0% delivers a higher unemployment benefit to employees. **Unemployment insurance varies by state and different eligibility, waiting period and other rules may apply which could impact applicability and estimated savings.**

- ☐ Unemployment insurance generally has a much higher salary replacement rate for non-exempt and/or lower paid employees, providing them the necessary financial support during a furlough.
- ☐ As unemployment benefits vary by state, the salary replacement rate also varies by state, by OD, by salary level, etc. (details included in the Appendix)

Retirement Plans

Section	IMPACT	
	Employer	EE
For 401(K) Plan employee hardship withdrawals due to COVID-19*, increases the withdrawal limit to \$100,000, waives the 10% penalty for the withdrawal, and allows the employee to either pay related income taxes over a 3-year period or repay the withdrawal over a 3 year period to the Plan to avoid income taxes.	Low	Medium
For 401(K) Plan employee loans due to COVID-19*, increases the loan limit to the lesser of \$100,000 or 100% of the participant's vested account balance, and employees who have plan loan repayments due in 2020 have an extra year to make such repayments.	Low	Medium

* Subject to employee meeting any of following criteria related to the coronavirus (COVID-19):

- Adverse financial consequences due to being quarantined, furloughed, laid off or having work hours reduced
- Inability to work due to a lack of childcare as a result of COVID-19
- Employee, spouse or dependent is diagnosed with COVID-19 by a test approved by Centers for Disease Control

Other

Section	IMPACT	
	EMPLOYER	EE
2020 Recovery Rebates for Individuals- US residents with AGI up to \$75,000 (\$150,000 married) are eligible for up to \$1200 (\$2400 married) rebate. Additional \$500 per child.	LOW	HIGH
Enables employers to provide a student loan repayment benefit to employees on a tax-free basis. An employer would be able to contribute up to \$5250 annually toward an employee's student loans, and such payment would be excluded from an employee's income.	LOW	LOW
Exclusion from employee taxable income certain childcare reimbursement expenses due to President Trump's COVID-19 Emergency Declaration (IRC Section 139)	LOW	MEDIUM

Other – Health Care

Section	IMPACT	
	EMPLOYER	EE
Requires group health plans to provide coverage without cost-sharing (deductibles, copayments, etc.), prior authorization, or other medical management requirements for FDA-approved COVID-19 diagnostic testing, including all services furnished during a provider visit (in-person office, telehealth, urgent care and emergency room), that relate to the testing or evaluation of the need for testing. As it becomes available, the same manner of coverage is required for preventive services and vaccines.	LOW-MED	HIGH
Allows Health Savings Account participants to receive benefits for COVID-19 related testing, vaccines and treatment, and for telehealth services, outside the deductible. Also allows cost for certain Over-The-Counter products to be reimbursed under HSA and FSA plans without a prescription	LOW	LOW

Payroll Tax

Section	IMPACT	
	EMPLOYER	EE
Allows employers to defer payment of the employer share of the Social Security tax. An estimated \$50M will be deferred in 2020 (\$4.5M received to date). Requires that the deferred employment tax be paid over the following two years.	High	None
Provides a refundable payroll tax credit for 50% of wages paid by employers to employees during the COVID-19 crisis (up to \$5,000 per employee). The credit is available to employers whose (1) operations were fully or partially suspended, due to a COVID-19 governmental shutdown order, or (2) gross receipts declined by >50% when compared to the same quarter in the prior year.	High	None

Appendix

Appendix: Short-Time Compensation

CARES Act Short Time Unemployment Credit Program by State			
Unemployment Tax Authority State	Eligible Employee Population	Short Time Unemployment Credit Program	
		Eligible Employee Population	Average Unemployment Rate Amount with \$600 Emergency Increase (20% of Unemployment Benefits)
Minnesota	170	170	\$268
Missouri	291	291	\$184
Mississippi	36	-	-
Montana	8	-	-
North Carolina	1,406	-	-
North Dakota	31	-	-
Nebraska	45	45	\$208
New Hampshire	5	5	\$205
New Jersey	1,660	1,660	\$263
New Mexico	2	-	-
Nevada	8	-	-
New York	409	409	\$221
Ohio	725	725	\$205
Oklahoma	10	-	-
Oregon	58	58	\$238
Pennsylvania	226	226	\$235
Puerto Rico	119	-	-
Rhode Island	1	1	\$233
South Carolina	663	-	-
South Dakota	14	-	-
Tennessee	307	-	-
Texas	2,137	2,137	\$224

Texas Short Time Compensation Program – average maximum replacement rate at 80% furlough
= \$224

Appendix: Other Topics Highlighted in CARES Act

Provisions 4021, 4022, 4023: Credit Protection, Mortgage Support and Assistance

- There is no direct benefit we offer, however, we will communicate to employees that the new US CARES Act has a few provisions that offer support in these areas.
- Employees who have questions about these topics should contact their lenders and/or credit card companies to understand options.
- In advance of contacting their lenders, employees can speak to a Fidelity Financial Planner or reach out to the EAP for financial coaching and guidance which are included in their current benefits.

The deadline for obtaining a Real ID has been extended until 2021:

- No impact to the organization.
- This information will be shared with employees in the Travel Guidance section of the Corona Virus website.

Charitable Giving for Individuals (2204)

- Encourages Americans to contribute to churches and charitable organizations in 2020 by permitting them to deduct up to \$300 of cash contributions, whether they itemize deductions or not.
- No impact to the organization



Appendix: Retirement Plans

Hardship Withdrawals

Hardship withdrawals are allowed on account of an immediate and heavy financial need (no other means to reasonably meet the need) for following reasons:

- ☐ Medical care for a participant, spouse, child or dependent
- ☐ Purchase of a participant's principal residence
- ☐ Educational payments for a participant, spouse, child or dependent
- ☐ Prevention of a foreclosure or eviction from a principal residence
- ☐ Funeral and burial expenses for a participant, spouse, child or dependent
- ☐ Repairs to a participant's principal residence because of a casualty loss
- ☐ FEMA-declared disaster for expenses and losses (including loss of income) incurred due to disaster declared by the Federal Emergency Management Agency (FEMA), provided that the employee's residence or place of employment at the time of the disaster was located in an area designated by FEMA for individual assistance.