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CARES Act

The economic impact of the Covid-19 infection on Radiology and especially Neuroradiology is unknown and unclear.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act signed into law on March 27, 2020, provides over \$2 trillion economic relief package to American individuals, small businesses, large corporations, state and local governments and public services including hospitals to weather the impact of 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, with a goal to preserve jobs for American industries.

This includes

1. Individual/Families – \$603.7 billion (30%) – **Economic Impact Payments**
 - a. Cash payments to American households – \$300 billion
 - i. Upto \$1,200 per adult for individuals whose income was less than \$99,000 (or \$198,000 for joint filers)
 - ii. \$500 per child under 17 years old – or up to \$3,400 for a family of four.
 - b. Extra unemployment payments – \$260 billion
 - i. Extra \$600 a week for 4 months
 - ii. Include gig workers
 - c. Student loans – \$43.7 billion – Temporary suspension till end of September 2020

2. Large corporations - 500 billion (25%) as loans. This includes
 - a. 58 billion for the airlines industry
 - b. National security: Boeing – 17 billion

3. Small businesses: \$349 billion in the form of loans (19%),
\$17 billion reliefs for existing loans and
\$10 billion as grants (EIDL)

4. State and Local governments - \$340 billion (17%)
 - a. Direct COVID response – \$274 billion
 - b. Schools and child care services

5. Public services – \$179.5 billion (9%) – Incl Hospitals – \$100 billion
 - a. 20 percent increase in Medicare payments
 - b. Eliminates 8 billion for Medicaid and \$2 billion for Medicare - scheduled payment reductions to hospitals (Sequestration)

SMALL BUSINESS Loans: These loans are for small businesses with a maximum of 500 employees (including sole proprietorships, independent contractors and self-employed persons), private non-profit organization or 501(c) (19) veteran's organizations. These organizations are eligible to apply for an Economic Injury Disaster Loan advance of up to \$10,000, which does not have to be repaid.

Administered by the SBA, they are of 2 kinds, both of which can be applied for:

- ECONOMIC INJURY DISASTER LOANS (EIDL): COVID-19 EIDL allows one to apply for a loan upto \$2 million (maximum \$200,000 without a personal guarantee) to provide working capital for expenses such as fixed debt and payroll costs. The interest rate is 3.75% and the loan term can be as long as 30 years, with an automatic one-year deferral on repayment, though interest begins to accrue when the loan is disbursed. The nonprofits pay 2.75%

This also includes an EIDL advance grant that allows for a maximum of \$10,000 dollars paid within a few days (\$1000 dollars per retained employee), which does not have to be repaid, if used for paid leave, maintaining payroll, mortgage, or lease payments.

- PAYCHECK PROTECTION PROGRAM

The Paycheck Protection Program is a low interest loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The loan matures in 2 years and has a fixed interest rate of 1%.

The Paycheck Protection Program provides a Small Business Interruption loan upto 2.5 times their average monthly payroll for a maximum of 10 million dollars. The principal of the loan will be forgiven upto the total cost of payroll, benefits and salaries as well as mortgage interest payments, rent, and utility payments made during the 8 week period after origination. The loan would be fully forgiven if at least 75% was used for payroll. There are no fees, and no collateral or personal guarantees. Loan payments are deferred for a minimum of six months, up to one year, and there are no prepayment penalties.

The loans are provided by around 800 existing SBA lenders or through any participating federally insured depository institution, federally insured credit union, and Farm Credit System institution.

PPP and EIDL applications were suspended by April 17, 2020 after they had exhausted their initial appropriations. Another 321 billion was provided to the PPP, \$50 billion was made available to the EIDL program and an additional \$10 billion for the grant program as a part of the **Paycheck Protection Program and Health Care Enhancement Act** (the "Enhancement Act") signed on April 24th, 2020 which approved a total of \$484 billion dollars. Another \$100 billion was allocated to the Public Health and Social Service Emergency Fund which is administered by the Department of Health and Human Services, of which 25 billion specifically oriented towards Covid-19 testing.

The Families First Coronavirus Response Act (the "FFCRA"), signed on March 18, 2020, provides businesses with fewer than 500 employees refundable tax credits that reimburse them, for the cost of providing paid sick and family leave wages to their employees for leave related to COVID-19. Workers may receive up to 80 hours (2 weeks) of paid sick leave and up to an additional 12 weeks (10 weeks paid at 2/3rd the regular rate of pay) expanded family and medical leave for reasons related to COVID-19. This is effective April 1 through December 31, 2020.

The payments include:

- Regular rate of pay (up to \$511 per day with a cap of \$5,110) if the employee is unable to work due to being quarantined or is experiencing symptoms of COVID-19
- 2/3rd of the regular rate of pay (up to \$200 per day with a cap of \$2,000) if the employee is unable to work because they are caring for someone under quarantine or a child (under 18) whose school is closed due to COVID-19 or the employee is experiencing symptoms of COVID-19 and seeking diagnosis

Self-employed individuals can claim a sick leave tax credit equal to the amounts above (or an equivalent percent of their "average daily self-employment income," whichever is less) for up to ten days.

The FFCRA covers the costs of this paid leave by providing small businesses with refundable tax credits. Employers are supposed to report total qualified leave wages and the credits each quarter on their federal employment tax returns (Form 941). Employers can also request an advance using Form 7200 Advance Payment of Employer Credits Due to COVID-19.

The FFCRA requires private insurers to cover an insurance plan member's cost-sharing payments for COVID-19 testing.

Employee Retention Credit: The Treasury Department and the Internal Revenue Service launched a refundable tax credit of wages paid by an eligible employer, between March 13, 2020, and December 31, 2020. This is designed to encourage businesses to keep employees on

their payroll and is available to all employers, regardless of size of business, including tax-exempt organizations. Receiving PPP makes one ineligible for the credit

Qualifying employers must fall into one of two categories based on government order or calendar quarter wage calculations:

- Full or partial suspension of business due to government order due to COVID-19 during the calendar quarter
- Decrease in employer's gross receipts below 50 percent of the comparable quarter in 2019. Once the employer's gross receipts go above 80 percent of a comparable quarter in 2019 they no longer qualify after the end of that quarter.

The amount of the credit is 50 percent of qualifying wages paid up to \$10,000, or \$5000 per employee, between March 13, 2020, and December 31, 2020, and may also include a portion of the cost of employer provided health care.

Employers with less than 100 employees get credit for each employee, regardless if they worked or not.

For Employers with more than 100 employees, the credit is allowed only for wages paid to employees who did not work during the calendar quarter.

Employers can be immediately reimbursed for the credit by reducing their required deposits of payroll taxes that have been withheld from employees' wages by the amount of the credit.

Eligible employers can report their total qualified wages and the related health insurance costs for each quarter on their quarterly employment tax returns or Form 941 beginning with the second quarter. If the employer's employment tax deposits are not sufficient to cover the credit, the employer may receive an advance payment from the IRS by submitting Form 7200, Advance Payment of Employer Credits Due to COVID-19. This has to be submitted in the month following the quarter for which the claim has to be made.

Wages for which a tax credit for paid sick and family leave under the Families First Coronavirus Response Act was paid, do not qualify.

PAYROLL TAX DEFERRAL

This allows employers and self-employed individuals to defer payment of the employer share of the Social Security tax (50% of 12.4% SST) for all employees for wages paid between Mar. 27, 2020 and Dec. 31, 2020 (Including self-employed individuals). The deferred employment tax can be paid over the next two years—with half of the required amount to be paid by December 31, 2021 and the other half by December 31, 2022. No deferral is allowed if the PPP loan is forgiven.

Express Bridge Loan Pilot Program allows small businesses who currently have a business relationship with an SBA Express Lender to access up to \$25,000 quickly. The maximum EBL loan term is 7 years. Lender may charge up to 6.5% over the prime rate, regardless of the maturity of the loan. Other fees may also be involved.

SBA Debt relief: SBA will pay 6 months of principal, interest, and any associated fees that borrowers owe for all current 504 and Microloans in regular servicing status as well as new 504 and Microloans disbursed prior to September 27, 2020. This relief is not available for Paycheck Protection Program loans or Economic Injury Disaster loans. The debt relief is automatic and no application is required.

CARES Act Provider Relief Fund: This is managed by the Health and Human Services.

Of the initial 100 billion allocated for hospitals, \$50 billion was allocated for general distribution to Medicare facilities and providers impacted by COVID-19, based on eligible providers' net patient revenue. The initial \$30 billion was distributed between April 10 and April 17, proportionate to providers share of Medicare fee-for-service reimbursements in 2019 (6.1% of their 2019 Medicare reimbursements). This was received in provider accounts as HHSPAYMENT.

The remaining \$20 billion was to be distributed beginning April 24th, based upon CMS cost reports received through the [General Distribution portal](#). Providers who receive funds from this general distribution have to sign an attestation confirming receipt of funds and agree to the terms and conditions of payment and confirm the CMS cost report. All recipients would be required to submit documents to ensure that these funds were used for healthcare-related expenses or lost revenue attributable to coronavirus. As part of this commitment, as a condition to receiving these funds, providers agree not to seek collection of out-of-pocket payments from a presumptive or actual COVID-19 patient that are greater than what the patient would have otherwise been required to pay if the care had been provided by an in-network provider.

Out of the rest \$50 billion, \$10 billion was allocated to hospitals in the high impact areas, 10 billion for rural providers and \$400 million for Indian Health services. A portion of the \$100 billion Provider Relief Fund will be used to reimburse healthcare providers, at Medicare rates, for COVID-related treatment of the uninsured. Every health care provider who has provided treatment for uninsured COVID-19 patients on or after February 4, 2020, can request claims reimbursement through the program and will be reimbursed at Medicare rates, subject to available funding. Providers are obligated to abstain from "balance billing" any patient for COVID-19-related treatment as a condition for participating in this program.

Knowledge about these various economic relief measures is essential to plan tax strategies for practices of various sizes to weather this crisis effectively. The size of the practice and degree of financial impact may have to be considered before deciding to apply for EIDL, PPP, Employee

Retention Credit and Payroll tax deferral. Even if one does not succeed in getting the most coveted PPP, the ERC or Payroll tax deferral, may be suitable alternatives.