

COVID-19 Update: September 2

Reminders: All previous bulletins and other resources listed at www.gpcovid.com. Send any questions to bizinfo@greaterpeoriaedc.org.

Round 6 of the LISC Small Business Relief Grant

LISC is offering another round (their sixth) of grants of \$5,000, \$7500, \$10,000 or \$20,000 to small businesses across America. Awards will be made to qualified for-profit businesses, and eligibility is based on an accurate and complete submission. All awardees will have to certify that they are promoting the best interests of the community and are negatively impacted by the Covid-19 crisis. **Applications must be completed by Monday, September 7th at 11:59 pm ET.** For more information and to apply, click [here](#). If a business applied in one of LISC's previous rounds and was not funded, they must submit a new application.

Payroll Tax Deferral

In August, President Trump signed an Executive Order that would allow businesses to defer the payment of Social Security payroll roll taxes of most employees between September 1 and the end of 2020. This is a complicated issue with a number of open questions that have yet to be clarified by the IRS. Importantly, this is a deferral of payroll taxes. Without Congressional action at some future date, the taxes withheld now will need to be repaid between January and April 2021. The IRS has issued guidance [here](#). Employers should consult with their accountants, auditors and/or attorneys before proceeding. Below is an excellent summary from our partners at the [Illinois Manufacturers Association](#):

The President's federal payroll tax deferral program created through an Executive Order starts today and ends on December 31, 2020. During this time period, employers may choose to delay the withholding, deposit, and payment of the contribution of Social Security taxes (6.2 percent) from an employee's paycheck. Here are some key points:

What is the maximum wage limitation: *As defined, the maximum wage is \$4,000 in bi-weekly wages or compensation on a pre-tax basis or equivalent amounts for other pay periods (\$104,000 annualized). Health care and retirement benefits are not included in the definition of compensation.*

Are employers mandated to participate: *Neither the President's Executive Order nor the IRS guidance requires participation. Treasury Secretary Mnuchin has publicly stated that they "can't force people to participate." The IRS guidance does not allow employees to choose and option – the choice appears left to the employer.*

When are taxes due: *If an employer opts to utilize the deferral between September 1 and December 30, 2020, those taxes must be paid by April 30, 2021. If the taxes are not paid by that date, penalties and interest apply.*

What is the impact on an employee's paycheck: *An employee will see increased take home pay between September 1 and December 30, 2020, followed by higher taxes paid in the first four months of 2021.*

To defer or not to defer: *If the employer does choose to defer withholding the payroll tax during the time period specified in the order (September 1st – December 31st, 2020), then the employer must later withhold the deferred amount "ratably" from wages and compensation paid*

between January 1 – April 30, 2020, or interest, penalties, and additions to tax will begin to accrue on May 1, 2021.

The Guidance does not discuss what an employer must do if an employee does not have sufficient wages in the first four months of 2021 (i.e. the employee took a leave of absence or terminated employment) to accomplish the required deductions from the previously deferred tax. All the Guidance says is, “If necessary, the [employer] may make arrangements to otherwise collect the total Applicable Taxes from the employee.”

If an employer chooses not to defer withholding the employee portion of the payroll tax, then the employer is required to withhold the tax and deposit it with the Treasury.

SBA Tools for Rural Businesses

Small businesses in rural areas may lack access to capital and other resources available in more urban areas. SBA’s Rural Strong initiative aims to level the playing field and elevate small businesses by offering loan incentives and training entrepreneurs to access government contracting and export opportunities. Learn more about SBA resources for rural businesses, including:

- Funding resources
- Export assistance
- Opportunity Zones and HUBZones

More information [here](#).

Economic Injury Disaster Loan Still Available

Small businesses, private non-profits and agricultural businesses impacted by the Coronavirus (COVID-19) pandemic, can still apply for an Economic Injury Disaster Loan (EIDL). EIDL proceeds can be used to cover a wide array of working capital and normal operating expenses, such as continuation to health care benefits, rent, utilities and fixed debt payments. Learn more [here](#).