

# PAYROLL TAX RELIEF

## Title II, Subtitle C of the CARES Act

### OVERVIEW

The CARES Act provides a range of tax relief for individuals, businesses, and organizations—including payroll tax relief through the Employee Retention Tax Credit and the Deferral of Payroll Taxes. Any limitations in relation to the interaction between the two provisions has not yet been determined. U.S. Travel is in contact with the IRS to issue guidance on such as soon as possible. Such guidance will be posted on the IRS's [Coronavirus Resource Website](#) when it becomes available.

NOTE: Below is a general explanation of the Employee Retention Tax Credit and the Deferral of Payroll Taxes. If you need further guidance in relation to your specific situation, particularly if you have extenuating circumstances, please contact the IRS using the following information:<sup>1</sup>

- For Individuals: 800-829-1040
- For Businesses: 800-829-4933
- For Non-Profits: 877-829-5500
- For Hearing Impaired: TTY/TDD 800-829-4059

A full summary of all the business tax provisions in the CARES Act can be found [here](#).

### EMPLOYEE RETENTION TAX CREDIT

#### WHO QUALIFIES

- Non-Profit Organizations
- S-Corporations<sup>2</sup>
- Partnerships (including Limited Liability Companies)<sup>2</sup>
- Sole Proprietorships<sup>2</sup>
- C-Corporations

#### ADDITIONAL ELIGIBILITY REQUIREMENTS

- Eligible employers must have been operational in 2020 and either—
  - Forced to fully or partially suspend operations due to a government order, or
  - Experienced more than a 50 percent decline in gross receipts during a calendar quarter this year, compared to the same quarter last year.
- Businesses and organizations that receive a loan through SBA's new [Paycheck Protection Program](#) are not eligible.
- Governmental entities are not eligible.

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### HOW DOES IT WORK?

- Any non-governmental employer can claim a refundable tax credit against the quarterly-paid employer portion of Social Security taxes (6.2% of wages). The credit is worth 50% of eligible compensation<sup>3</sup> (including group health benefits), up to \$10,000 in employee compensation, providing a maximum credit of \$5,000 per employee per quarter. If the credit is higher than the amount of Social Security taxes owed, in relation to each employee, the excess amount will be given to the employer in the form of a tax refund. For more information, please see the IRS's FAQ [here](#).

## DEFERRAL OF EMPLOYER PAYROLL TAXES

### WHO QUALIFIES

- Governmental Entities<sup>4</sup>
- Non-Profit Organizations
- S-Corporations
- Partnerships (including Limited Liability Companies)
- Sole Proprietorships (including Independent Contractors)
- C-Corporations

### ADDITIONAL ELIGIBILITY REQUIREMENTS

- The benefit can only be claimed by direct employers, and not third-party payroll administrators or Professional Employer Organizations (PEOs).

### HOW DOES IT WORK?

- All employers can defer the employer portion of Social Security taxes<sup>5</sup> owed this year and pay it over the next two years instead. At least 50% of the deferred taxes need to be paid to the government by the end of 2021, with the remaining balance needing to be paid by the end of 2022. More information on this provision is available [here](#).

1. Due to high call volumes, the IRS is warning that wait times may be exceptionally long.

2. Only in relation to employee Social Security taxes (FICA, not SECA).

3. Any employee paid leave benefit that is eligible for a tax credit under the Families First Coronavirus Response Act cannot be included in the calculation of employee compensation.

4. Includes States, local governments, political subdivisions of a state or local government, and instrumentalities thereof.

5. FICA and SECA Social Security taxes.