CTA is committed to assisting the AEC industry in obtaining financial assistance during these uncertain times. To that end, we have included the latest information and links below and attached on the CARES Act's Paycheck Protection Program, which provides small businesses with funds to pay up to 8 weeks of payroll costs including benefits. As funding is currently authorized only up to $349 billion, I would urge those firms that might qualify for this program to contact their lenders, attorneys and CPAs as soon as possible for additional information and guidance.

Research & Development Tax Credit

It is still too early to fully predict how the R&D credit will be affected by the stimulus package. As of April 6, 2020, there are NO changes. Any payments received from the payroll protection plan will not affect or limit a company's ability to claim the R&D credit in 2020. So, CTA recommends continuing to charge time to your projects as you always have. Box 1 W-2 wages should be substantially the same, so your credit benefit could also should stay the same.

Also, the funded research rules do NOT apply to any stimulus payments received. Funded research is an analysis of the agreements between your company and your customer. It is not related to the funding of your business through an SBA or any other government loan program.

Paycheck Protection Program - Assistance for Small Businesses

The Paycheck Protection Program provides small businesses with funds to pay up to 8 weeks of payroll costs including benefits. Funds are provided in the form of loans that will be fully forgiven when used for payroll costs, interest on mortgages, rent, and utilities. Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease. Small businesses as well as individuals who are self-employed or are independent contractors, are eligible if they also meet program size standards.

- For a top-line overview of the program CLICK HERE
- If you're a borrower CLICK HERE
- Borrower Application Form
- Paycheck Protection Program
- SBA Paycheck Protection Program website

CARES Act Changes to Retirement Plans and Executive Compensation

The CARES Act provides a number of new, optional ways for plan participants to access their retirement accounts in light of the coronavirus pandemic, as summarized below.

Impact on Retirement Plans & Access to Retirement Plan Account Funds

The Act provides a number of new, optional ways for plan participants to access their retirement accounts in light of the coronavirus pandemic, including:

- An increased limit on new loans taken from the plan (replacing $50,000 with $100,000 and 50 percent with 100 percent account balance limit);
- Up to a one-year extension of the repayment of existing loans under the plan; and
- Temporary withdrawals of up to $100,000 without being subject to the 10% early withdrawal tax. Such distributions can be taxed over three years with an ability to repay within three years.

These special provisions can be made available to any individual:

- Who is diagnosed with COVID-19 by a CDC-approved test;
- Whose spouse or dependent is diagnosed with COVID-19 by a CDC- approved test; or
- Who experiences adverse financial consequences from COVID-19 as a result of:
- being quarantined;
- being furloughed, laid off or having work hours reduced;
- being unable to work due to a lack of childcare;
- closure or reduced hours of a business owned or operated by the individual; or
- other factors determined by U.S. Department of the Treasury.

These distributions may be made to participants any time in 2020, and the increased loans may be made within 180 days after enactment. Employers should note that offering these provisions to employees is optional and will require a plan amendment no earlier than the end of the 2022 plan year (2024 for governmental plans).

Waiver of Required Minimum Distributions

The Act provides for the waiver of 2020 required minimum distributions (RMDs) from defined contribution plans and IRAs. This applies to both 2020 RMD payments for individuals who were already receiving them and individuals who would otherwise have received their first RMD in 2020. Individuals who reached age 70½ in 2019 should note that this change in the Act waives the requirement that they receive their first RMD by April 1, 2020. In addition, as such individual’s RMD for 2020 is also waived, that individual will not be required to receive an RMD under the plan or IRA until December 31, 2021 (at the latest). Additional guidance regarding the options available to employers with respect to the RMD waiver is expected from the IRS.

Single-Employer Defined Benefit Plan Funding

The Act provides that any single-employer plan contributions that would otherwise be due during 2020 are instead due on January 1, 2021. This applies to quarterly contributions and the final contribution necessary to satisfy the plan’s minimum funding requirements, if otherwise due in 2020. These contributions will begin accruing interest on the prior deadline at the plan’s effective rate of interest. Employers should note that if payment of these contributions is delayed until 2021, the employer will need to pay both the 2020 and 2021 contributions in 2021. The Act does not provide for the ability to delay the payment of contributions that were otherwise due in 2021.

In addition, for plan years that include any portion of 2020, the plan sponsor is permitted (but not required) to elect to treat the plan's adjusted funding target attainment percentage as being equal to the percentage from the last year ending before January 1, 2020. This will allow plans to avoid reporting significantly lower funding percentages, which may trigger certain funding-related benefit restrictions (such as lump sum prohibitions). By using this provision of the Act, plan sponsors may be able to avoid these restrictions.

Exclusion for Certain Employer Payments of Student Loans

The Act expands the existing Code Section 127 to allow employers to contribute up to $5,250 toward employees' qualified educational loans. This allows employers to make payments either to the employee or to the lender directly and applies to payments made after the CARES Act takes effect through December 31, 2020. Employers with workforces with outstanding student loans may use this provision to help their employees with student loan repayment.

Executive Compensation Restrictions

The Act authorizes the Treasury Department to make loans and other investments to provide liquidity to businesses in response to the coronavirus pandemic. However, as a condition of such loans or financial assistance, employers must agree to a period of significant restrictions on their executive pay practices. This restricted period begins when the loan or loan guarantee commences and lasts for one year after the date the loan or loan guarantee is no longer outstanding.

During the restricted period, no officer or nonunion employee whose total compensation exceeded $425,000 in 2019 may be paid more than his or her 2019 total compensation or receive severance exceeding two times his or her 2019 total compensation.

In addition, during the restricted period, no officer or employee whose total compensation exceeded $3 million in 2019 may receive total compensation exceeding $3 million plus 50 percent of the excess over $3 million the individual received in 2019. For example, if an officer's total compensation in 2019 was $5 million, the officer may not receive more than $4 million during any 12-month period in the restricted period.

For these purposes, total compensation includes salary, bonuses, awards of stock and other financial benefits provided by the eligible business to an officer or employee.

If you have any additional questions, please don't hesitate to call us at 256-970-7129.