



The Coronavirus, Aid, Relief and Economic Security (CARES) Act provides assistance for workers and employers affected by the COVID-19 crisis.

Unemployment expansion. For laid off workers, the CARES Act provides expanded unemployment benefits.

- Most significantly, laid off workers who are eligible for unemployment benefits will receive an additional \$600 in weekly benefits for all eligible weeks between March 29 and July 31, 2020.
- Benefits have also been extended by 13 weeks (for a maximum of 39 weeks in Washington State). And eligibility for unemployment benefits has been expanded to include self-employed workers and certain individuals who have worked fewer than 680 hours in the State of Washington during the previous year.
- Both the CARES Act and emergency rules of the Washington Employment Security Department (ESD) have temporarily lifted the one-week waiting period before claimants qualify to receive unemployment benefits.
- The CARES Act also provides funding for reimbursement of 50% of benefits charges for certain governmental entities and non-profit organizations paid out between March 13 and December 31, 2020.
- These extensions expire December 31, 2020. They are managed by agreement between the State of Washington and the federal Department of Labor. Employers will not need to take any additional steps to ensure that laid off employees qualify for these unemployment benefits. ESD has indicated that it anticipates being able to make applicable payments (including retroactive payments) by mid-April.

Tax assistance for employers. The CARES Act includes a number of provisions to assist employers impacted by COVID-19, including a refundable tax credit and deferral of payroll taxes.

- Employee retention tax credit. The CARES Act provides a refundable tax credit for Social Security taxes (not Medicare or other federal employment taxes) for each applicable quarter equal to 50% of qualified wages for an eligible employer's employees during that quarter. This applies from March 13 to December 31, 2020.

For the purposes of this tax credit, eligible employers are those in business in 2020 that,

(1) were fully or partially suspended by government order in one or more calendar quarters due to COVID-19, and/or

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(2) experienced at least a 50% reduction in gross receipts compared to that quarter in the previous year (terminating when the employer has 80% or more of gross receipts from that quarter in the previous year).

Qualified wages are the first \$10,000 of wages per employee for all applicable quarters, including the costs for employer to provide health benefits during the period for which the credit is being claimed.

- If the employer has 100 or fewer full-time employees, this applies to the first \$10,000 wages for each employee paid while fully or partially suspended by government order or experiencing a 50% or more decline in gross wages. As an example, if an employee is paid \$10,000 in a quarter where the employer was shut down by a shelter-in-place order, the employer will qualify for a \$5,000 tax credit for that employee (50% of the qualified wages) for that quarter.
- If the employer has more than 100 employees, qualified wages are those wages paid to an employee while fully or partially suspended by government order or experiencing a 50% or more decline in gross wages, but only where the employee was not providing any services to the employer during that time.

If wages exceed employment taxes (reduced by applicable tax credits, including (i) tax credits for employing veterans, (ii) small business tax credits, and (iii) tax credits under the FFCRA), the remainder is payable as a refund.

Businesses receiving a small business interruption loan under the SBA's Paycheck Protection Program do not qualify for this tax credit.

- 2020 tax deferral. The CARES Act also allows certain employers to defer the employer portion of Social Security taxes (again, not Medicare or other federal employment taxes) from March 27 to December 31, 2020. Qualified employers may postpone payment of 50% of such taxes until December 31, 2021. The remaining 50% will not be due until December 31, 2022.

Most employers can take advantage of this tax deferral. However, employers who elect to have debt forgiven under the SBA's Paycheck Protection Program will not qualify.

If you or your business has any questions or requires assistance applying for any benefits included in the CARES Act, please contact one of our experienced Business and Employment attorneys:

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