

**FEDERAL COVID-19 “PHASE 3” LAW:  
PROVISIONS OF NOTE FOR CLUBS**

1.) Deferred Employer Payroll Tax

All clubs are entitled to defer the payment of their 6.2% Social Security payroll tax on wages for the remainder of 2020.

When that deferment period is up, you’ll be required to pay these payroll taxes in two tranches – 50% due by 12/31/21 and the remainder due by 12/31/22.

2.) Employee Retention Tax Credit

In an effort to help keep employees on the payroll, clubs are now entitled to a tax credit equal to 50% of “Qualified Wages” to offset the employer’s 6.2% Social Security payroll tax on employee compensation.

To be eligible, a club must be fully or partially shutdown from a government order due to COVID-19 OR have suffered an economic slowdown where gross receipts in a quarter are less than 50% of the gross receipts for the same quarter in 2019.

“Qualified Wages” are defined as follows:

- 1.) For clubs with an average of more than 100 full-timers in 2019, it means money paid to an employee who was retained but did not work during a quarter with the government shutdown or the economic slowdown.
- 2.) For clubs with an average of 100 or less full-timers in 2019, it means money paid to an employee, whether working or not, during a quarter with the government shutdown or the economic slowdown.

A club may not include as “Qualified Wages” money paid under the new Paid Sick Leave or Paid Family and Medical Leave laws, but it should include as “Qualified Wages” the portion it pays for health insurance premiums for the employee.

The total “Qualified Wages” for each employee is capped at \$10,000 – so the credit for each employee is \$5,000, and “Qualified Wages” are those paid from March 13 to December 31 of this year.

This tax credit is applicable quarterly and shall not exceed the total Social Security payroll tax of all employees of the club due each quarter. However, if the credit does exceed the tax then that excess is refundable to the club. The expectation is that you will be able to retain this excess from other taxes (possibly from withholding, the club’s remaining FICA contribution or the employee’s FICA contribution) so you will not have to wait for a refund check. The Treasury Department will have more guidance on that soon.

3.) Federal Increase to Unemployment Benefits

The federal government will provide all workers on unemployment with an additional \$600/week for four months and expand standard unemployment benefits for 13 more weeks – for a total of 39.

Interestingly, this additional \$600/week payment, coupled with your state’s weekly unemployment benefit, may provide more compensation than what your club could offer if the worker stays on payroll.