

Retirement Plan Contributions and the PPP – Some Clarification

April 9, 2020 – In recent days, the question arose as to whether retirement plan contributions for small businesses were covered under the CARES Act's Paycheck Protection Program-now we have a definitive answer.

Section 1102 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 creates a Paycheck Protection Program (PPP) to help small businesses affected by the COVID-19 crisis by covering their near-term operating expenses and providing incentives to retain employees. PPP loans will be fully forgiven when used for certain expenses, including payroll costs. Among other things, under section 1102, payroll costs include "payment of any retirement benefit."

Questions have arisen as to how "payments of retirement benefits" are considered when employers are making various payments to retirement plans.

In FAQs released April 6, 2020, the Department of the Treasury clarified that employer contributions to both defined contribution plans and defined benefit plans are included in the definition of payroll costs when calculating the maximum amount of a PPP loan. Further, the \$100,000 cap on compensation applies only to salary; the cap does not apply to employer contributions to DC and DB plans.

The combination of the Final Interim Rule and the Treasury Department FAQs make it clear that payroll costs include employer contributions to retirement plans, and those retirement plan contributions are not capped by the \$100,000 limit. The \$100,000 cap only applies to the salaries of employees.

To find out more on how your retirement plan may be affected by the Coronavirus, contact Chad O'Connell at coconnell@dopkins.com or your Dopkins Wealth Management, LLC advisor or Dopkins & Company, LLP Tax professional.

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