



HELP FOR YOUR COMPANY FROM DISRUPTION CAUSED BY THE CORONAVIRUS

By Darryl J. Horowitz

The novel Covid-19 Coronavirus is impacting all segments of society. With shelter in place orders being issued by Governor Newsom, and most localities issuing orders for all non-essential companies to close and workers to “shelter in place”, businesses in virtually all categories are being affected. It is anticipated that many businesses will suffer significant losses due to cancellation of contracts, closure due to government order, and loss of supplies by the closure of supporting businesses and the like.

This article will discuss some steps your business should take now to recover some of its losses.

Recovery under the “Families First Coronavirus Response Act” (“FFCRA”)

Greg Norys previously outlined the provisions of the FFCRA, under which employees of certain companies are entitled to paid emergency sick leave for covered employees. Not discussed in that article is that under the FFCRA, employers are entitled to withhold the amount paid for such emergency sick leave from Social Security and Medicare withholding taxes for leave given to employees who are required to miss work due to (1) government order or quarantine, which may include shelter in place orders, (2) the employee has being told by a doctor to stay home, or (3) the employee suffering from symptoms of Covid-19. Thus, if you paid \$5,000 to an employee for covered sick leave, and owe \$6,000 in Social Security and Medicare withholding for the same time period, you need only pay \$1,000.

Start keeping accurate records for those on leave so you can take advantage of this tax credit.

Insurance Recovery

Most companies are covered by a general liability insurance policy. Most policies do not provide for losses suffered from a natural cause, such as a virus. Some policies, however, provide coverage known as “contingent business interruption.” Such a provision covers claims arising from damage to property of suppliers, customers or other third parties. If you operate a business that promotes or organizes events, your policy may include “event cancellation” coverage. Further, if your company manufactures a product that is recalled due to perceived infection with the coronavirus, your policy may provide coverage under “product recall” coverage. Lastly, you may also have a policy that provides for business interruption arising from an event such as the Coronavirus.

Though most insurance policies may not provide coverage for your losses, now is the time to review your policies. If they do cover the claim, or might cover your claim for business losses, it is important to start gathering the information needed to support your claim.

Small Business Loans

Congress is currently crafting legislation that may aid small businesses. It is anticipated that any legislation will include loans for small businesses to help with losses caused by the business interruption due to Covid-19. We recommend that you carefully review the legislation that is to come and, if your business has been affected, to seek a small business loan.

There is certainly more to follow. We will continue with our efforts to keep you informed. If you have any questions, please feel free to contact the author at (559) 248-4820, ext. 111 or dhorowitt@ch-law.com.

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