



Dear valued client,

Following are two new employee benefits you may consider implementing for the 2020 year to help your employees through the pandemic. Please inquire if you would like more details about either benefit.

Because the entire US has been designated a Disaster Zone due to COVID-19, US employers are eligible to make tax-free Section 139 Disaster Relief Payments to their employees. These payments can only be made to full-time, year-round employees. Employers can create a **non-accountable plan**, and every employee that receives these payments should get the very same amount. Employers cannot discriminate for any reason who will get these payments or what amount they will receive.

Employers must determine and keep a record of a reasonable average amount that each employee may be reimbursed. A survey or discussion with your employees should be made to determine this amount. The reimbursed expenses can include face coverings and other protective equipment, meal delivery costs, home office expenses, virtual schooling costs, and unreimbursed COVID-19 medical expenses.

Employers also have the option to set up an **accountable plan**. Under an accountable plan, the employees must bring the employer paid receipts for their expenses, the employer must determine if the expenses qualify and keep copies of the receipts, and the employer would then reimburse the employee for the expenses. Accountable and non-accountable Section 139 plans cannot be mixed.

Do not add these Section 139 payments to the employees' paychecks as taxable wages. These payments can be added as non-taxable additions to their paychecks. Or these payments can be separate checks not run through payroll.

A separate employee benefit under the CARES Act allows employers to pay up to \$5,250 on qualified student loans for their employees as a tax-free benefit. To qualify, these payments need to be made by December 31, 2020, a written education reimbursement plan needs to be established, all employees need to be given notice of this plan, the reimbursement plan cannot be discriminatory, and these payments cannot be made instead of cash wages.

If you have any questions, please do not hesitate to contact us.

Sincerely,

Your Cornerstone CPA Group Team