

# Dealer Advisory

May 11, 2020



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## SOS Branches to Remain Closed

Secretary of State Jocelyn Benson has announced that the temporary lay-off of approximately 900 Michigan Department of State (MDOS) employees is being extended for another week. The majority of staff laid off are those who typically work in branch offices, which means branch offices will not reopen today as some had projected. There is a possibility of future extension.

Secretary Benson will continue working on a plan to reopen branches and get employees back to work as soon as they are safely able.

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## Temporary Extension of Expiring Driver's Licenses, State ID Cards, Vehicle Registrations

Governor Whitmer has signed [Executive Order 2020-78](#) to temporarily extend the expiration of state identification cards, driver's licenses and operator endorsements, as well as suspend penalties for vehicle registration violations, and protect Michigan drivers. The order also ensures that automobile insurance will continue to protect and cover Michigan drivers. **These protections do not apply to motorists with suspended or revoked driver's licenses.**

Following are a few extensions noted in the executive order.

- The order extends until July 31, 2020 the validity of a state personal identification card that expired or is set to expire between February 1, 2020 and June 30, 2020.
- Until July 31, 2020, driving with a vehicle registration, operator's license, or chauffeur's license that expired on or after February 1, 2020 does not constitute a violation of the Michigan Vehicle Code.
- Automobile insurers must not take any adverse or negative actions against an individual because the individual's license or registration expired between February 1, 2020 and June 30, 2020.

**The Secretary of State's office has clarified that the July 31, 2020 extension also includes BFS-4 temporary tags.**

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## Sales Tax Collections from Vehicle Sales Down 83.8%

The Senate Fiscal Agency (SFA) has released its April 2020 revenue report, which highlights a sharp drop in revenue stemming from the COVID-19 pandemic.

April 2020 tax collections were approximately \$1.0 billion below the level expected. A significant portion of the shortfall reflected the State's decision to move the due dates for some income tax (particularly the April 15 deadline for filing annual returns for tax year 2019), sales tax, and use tax payments from April to dates in May and July. Moving the filing dates for annual and quarterly returns under both the corporate and individual income tax accounted for approximately \$928.9 million of the shortfall.

SFA noted that while the revenue shortfall was due to postponement of tax payments, May and July collections will see a boost when those payments are due.

April 2020 sales tax receipts decreased 30.0% from April 2019 and were \$239.3 million below the forecasted level. A portion of the decline reflected the ability of certain taxpayers to postpone April sales, use, and withholding payments until late May.

**Not surprising to any Michigan dealer, sales tax collections from vehicle sales were down 83.8% from April 2019.** However, slightly offsetting the overall decline, tobacco tax revenue was up 17.0% from the April 2019 level.

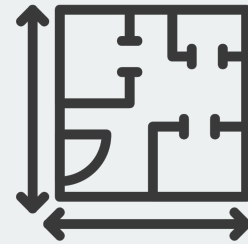
DADA and MADA will be reminding the governor's team of this number in our next communication.

*[Read the complete SFA April 2020 Revenue Report](#)*

## Know Your Square Footage and Max. Fire Marshal Numbers

When dealership showrooms are finally given the "go-ahead" to reopen, it may become important to know your square footage of "customer floor space" and maximum allowable capacity.

The governor's requirements for some other businesses include guidelines for the number of people allowed in the building, based on the square footage and a decreased percentage of the fire marshal's limit.



When determining whether or not to include offices in the calculation, generally, the customer floor space will include office cubicles in the open showroom area, but exclude private office spaces. Dealers may find it helpful to have these numbers calculated before we receive authorization to reopen dealership showrooms.

## News from NADA

### DOL Updates FAQs for Emergency Sick Pay and Childcare Leave



**May 8** -- The Department of Labor [updated its FAQs](#) on the Family First Coronavirus Response Act (FFCRA). New provisions cover potential employee eligibility for emergency paid sick or childcare leave associated with COVID-19. [NADA's FFCRA FAQs](#) have been updated to reflect DOL's new guidance. For more details, see [DOL's FFCRA guidance](#).

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### IRS: Three Tax Credits for Businesses Hit by COVID-19

**May 8** -- The Internal Revenue Service is providing employers [three important new credits](#) to help with COVID-19 relief: The Employee Retention Credit; Paid Sick Leave Credit; and Family Leave Credit. Qualifying employers must fall into one of two categories:

- The employer's business is fully or partially suspended by government order due to COVID-19 during the calendar quarter; or
- The employer's gross receipts are below 50% of the comparable quarter in 2019. Once the employer's gross receipts go above 80% of a comparable quarter in 2019, they no longer qualify after the end of that quarter.

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### IRS Updates FAQs on Employee Retention Tax Credit

**May 8** -- Last night, the IRS updated its [Employee Retention Tax Credit \(ERTC\) FAQs](#), clarifying that businesses can treat health plan expenses as qualified wages under the ERTC, including health plan expenses for furloughed employees paid by the business. This will provide additional relief to dealers utilizing the ERTC and provide health care benefits for their furloughed employees. Note:

dealers participating in the Paycheck Protection Program are ineligible to receive tax credits under the ERTC.

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## PPP Loans: More Safe Harbor Guidance

**May 9** -- The U.S. Small Business Administration (SBA) issued an Interim Final Rule (IFR) on the 5/7/20 to 5/14/20 certification “safe harbor” deadline extension previously referred to in question #45 of its [PPP Loans FAQ document](#). The IFR restates the “necessity” certification finding, or standard, that PPP loan applicants are required to make, and notes that any borrower who subsequently determines that they misunderstood or misapplied that standard may return all funds by 5/14/20 and be deemed to have nonetheless applied in good faith. Importantly, the IFR restates the SBA’s intent to issue **further guidance before 5/14/20**. The IFR also extends until 5/22/20 the time by which lenders must file their first Form 1502 (information on loan status and lender remittance), presumably to make changes on it with respect to any loan for which funds are returned before then.

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Please feel free to contact DADA at (248) 643-0250 or MADA at (800) 292-1923 if you have any questions.

*This advisory has been prepared in conjunction with  
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