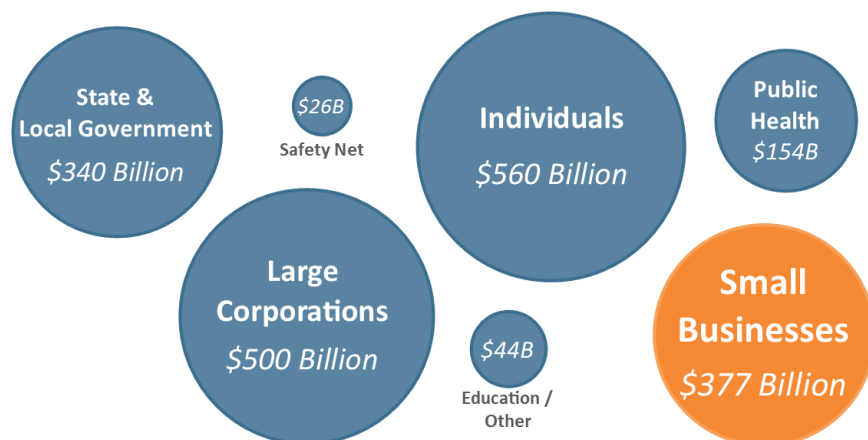




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CARES Act & Other COVID-19 Relief for Small Business



On March 27th 2020, the US Congress passed the CARES Act, a historic \$2.2 Trillion economic recovery package targeted at providing assistance to individuals, companies, and institutions that have been impacted by COVID-19. Approximately \$877 Billion in relief is geared towards businesses, with \$500 Billion reserved for large corporations, and \$377 Billion for small businesses (those with less than 500 employees). Below are some of the provisions that may impact you as a business owner.

➤ **Small Business Administration (SBA) Resources**

- **Paycheck Protection Program (PPP)** – This new loan program provides an amount based on payroll, using the formula of [average monthly payroll over the past year] x 250%, up to a cap of \$10 million. **The loan will be fully forgiven if the funds are used for payroll costs (at least 75%), rent, utilities, and interest on mortgages.** Loan payments will also be deferred for six months. No collateral or personal guarantees are required. Neither the government nor lenders will charge small businesses any fees.

Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines *after accepting the loan*, or if salaries and wages decrease more than 25% for salaries under \$100k. This loan has a maturity of 2 years and an interest rate of 1.0%. Applications ([sample form](#)) should be made through a qualifying lender by 6/30/2020.²
- **Economic Injury Disaster Loans (EIDL) and Loan Advance** – All small business owners who are experiencing temporary loss of revenue because of COVID-19 can apply for a disaster loan up to \$2 Million. With the application, you may select the option to receive a **Loan Advance of \$10,000** that will supposedly be paid within three days of successfully completing the application through the [SBA.gov website](#). **This \$10,000 loan advance will not have to be repaid.** Loan amounts beyond the advance are subject to repayment terms of up to 30 years with a rate of 3.75%.³
- **Employers may apply for both PPP and EIDL as long as the funds aren't covering the same expenses. EIDL loans may potentially be refinanced into PPP for possible forgiveness. EIDL may provide funds faster as this is an expansion of an existing program, whereas the PPP is an entirely new program.**

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➤ **Small Business Administration (SBA) Resources**

- **SBA Debt Relief** – SBA will pay principal and interest for up to 6 months on all current loans and those issued prior to September 27, 2020.
- **SBA Express Bridge Loans** – If you have a current relationship with the SBA you can apply for a loan of up to \$25,000 with less paperwork and quicker turn-around times. This loan is to help with temporary loss of revenue and is intended to help bridge the gap while applying for the Economic Injury Disaster Loans and Loans Advance.⁴

➤ **Employee Retention Credit (ERC) for Small and Large Business Owners**

- **NOTE: You are not eligible for ERC if you also received loans or grants under the Paycheck Protection Program or Economic Injury Disaster Loan program.**
- **What Is Employee Retention Credit** – This is a credit measured by an employer's portion of payroll tax for an eligible business that is forced to suspend or close operations due to COVID-19, or has a significant revenue decrease, and continues to pay its employees while not currently working.
- **How it Works** - Evaluated on a quarter-by-quarter basis for eligibility. Business will receive a refundable credit against its 6.2% (Social Security) employer portion of payroll tax equal to 50% of "qualified" wages paid. The amount of qualified wages per employee for all quarters is capped at \$10,000. Amount of qualified wages will depend on the business and its size. Size census data will be factored from 2019 census numbers. Please note that wages paid under FFCRA are not included as "qualified wages."
- **Less than 100 Employees** - Credit would count towards all wages paid while business was fully or partially suspended. Credit would be based on suspension or full shut-down of business, or when the business has experienced a sharp decline in gross receipts which is outlined below in eligible employers.
- **More than 100 employees** - Only those employees who are not providing services during a suspension of business are eligible for the wage credit. The credit can be obtained on wages paid or incurred from March 13, 2020, through December 31, 2020.
- **Eligible Employers** - Employers who were carrying on a trade or business during 2020 and for which the operation of that business is fully or partially suspended due to orders from an appropriate governmental authority limiting commerce, travel, or group meetings due to the COVID-19 outbreak. In addition employers with less than 100 employees that have gross receipts that are less than 50% of their gross receipts for the same quarter in the prior year are also eligible, until their gross receipts exceed 80% of their gross receipts for the same calendar quarter in the prior year.

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➤ **IRS Tax Changes, Extensions, and Delays**

- **Delay Payroll Tax** – Self-Employed individuals and businesses can delay payroll tax payments for 2020. These payments would then need to be paid over the next two years – 50% in 2021 and the remainder in 2022. *If you have applied for the Paycheck Protection Program to have loans forgiven you are not eligible to delay payroll tax.*⁵
- **Net Operating Losses** – For business that had net operating losses beginning the year in 2018, 2019, or 2020 that NOL can now be carried back 5 years. The purpose of this change is to increase cash flow and liquidity for businesses.⁵
- **AMT Credits Now Refundable** – Business that are to receive an AMT corporate credit at the end of 2021 can now claim a refund today.⁵
- **Increase in Business Interest Expense** – For 2019 and 2020 the amount of business interest tax deductions has increased from 30% to 50% of taxable income.⁵
- **Immediate Write Off of Costs** – Businesses that improve facilities will be able to immediately write-off those costs associated with doing so instead of depreciating those costs over time. Businesses eligible will be those in the hospitality business. Others may be included too, be sure to check with your CPA.⁵
- **Tax Filing Due Date Extension** – Tax filing date has been extended from April 15 to July 15th in response to COVID-19. No forms need to be filed to take advantage of the extension. For businesses who need additional time to file after July 15th you will need to file IRS Form 7004.⁶

➤ **Group Coverage Benefits**

Due to COVID-19 there have been an expansion of employee health benefit coverage. Below are the highlights of some of these areas of coverage expansion.

- **Tests and preventative testing** – Expand type of coronavirus testing that all private health insurance plans must cover without cost sharing or barriers under the FFCRA. Streamline to make permanent the requirement for health plans to cover preventative services and vaccines related to COVID-19.⁸
- **Telehealth** - would be covered under high deductible health plans (HDHP) before the deductible is met. This would not affect HDHP's compatibility with HSA accounts.⁸
- **Over-the-counter medications and menstrual products** - would qualify as medical expenses, which would allow them to be paid using HSAs, MSAs, FSAs, HRAs. This would be retroactive to the beginning of 2020.⁸

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➤ **Families First Coronavirus Response Act (FFCRA)**

This requires certain employers that they must provide employees who have been employed for 30 calendar days with paid sick leave and expanded family and medical leave for reasons related to COVID-19. These provisions will be valid from 04/02/2020 to 12/31/2020. Business that must comply are those in the private sector with 500 or fewer employees. Some exceptions do apply for businesses with fewer than 50 employees.⁷

- **Emergency Paid Sick Leave** – up to 10 days of paid sick leave, subject to an 80-hour cap for full time employees.
- **Expanded Family and Medical Leave** - After taking two weeks paid sick leave, employees who have been employed for at least 30 days may be eligible for up to an additional 10 weeks of partially paid expanded family and medical leave for caring for a son or daughter if the school or place of care of the son or daughter has been closed, or the childcare provider of such son or daughter is unavailable, due to COVID-19 precautions. Please refer to the [DOL website](#) for more details. During this time the employer will provide not less than 2/3 of an employee's regular rates of pay for the numbers of hours they would have worked. Amount is capped at \$200 per day for a maximum of \$10,000.⁷
- **Employer Tax Credit** - FFCRA offers a credit of up to \$200 per day for Emergency Expanded Family and Medical Leave and up to \$511 per day for Emergency Paid Sick Leave Payments. Credit is on a per employee basis for a total of 10 days paid leave. Credits are refundable and help offset Payroll taxes that would otherwise be due. For example, if \$8,000 was due for payroll tax for all employees and \$10,000 was paid out in sick leave, then the employer could get a refund of \$2,000. Or if \$8,000 was due in payroll tax and \$5,000 paid in sick leave, then only \$3,000 would be due for payroll taxes.⁷

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➤ Qualified Retirement Plans

There have been changes to retirement plan provisions allowing an increase in the dollar amount of loans and hardship withdrawals. All provisions are effective immediately and employers have until the last day of the plan year beginning on or after Jan. 1, 2022 (with an additional two years for government plans) to amend the plan.⁹

- **Hardship distributions** – 10% penalty is waived from retirement plans and IRAs withdrawals up to \$100,000. Withdrawal reasons must be due to factors relating to COVID-19. Allowable hardships would be due to participant, spouse or dependent being diagnosed from COVID-19. Financial factors due to loss of income, reduction of income, being unable to work because of closed childcare and any other factor determined by Treasury Secretary. Income from these withdrawals would also be allowed to be paid over a three-year period. Also, allows individual to repay these withdrawals over a three-year period. Those repayments would not be subject to retirement plan contributions.⁹
- **Loans** - Plan loan limits have also increased to the lesser of \$100,000 or 100% of participants vested account balance in the plan. Participants with current loans due from date of enactment of the CARES ACT to December 31st of 2020 can delay their loan repayment(s) for up to one year.⁹
- **Temporary Waiver of RMDs** – Waives RMDs for calendar year 2020 for retirement plans and IRAs. If an RMD was already taken you may use the 60 day rollover to get the money back in the plan. If 60 days has already passed, then it would be too late to get back into a qualified plan.⁹

Resources

¹ <https://www.sba.gov/page/coronavirus-COVID-19-small-business-guidance-loan-resources>

² <https://www.sba.gov/funding-programs/loans/paycheck-protection-program>

³ <https://COVID19relief.sba.gov/#/>

⁴ <https://www.sba.gov/document/support--express-bridge-loan-pilot-program-guide>

⁵ <https://www.uschamber.com/co/start/strategy/cares-act-small-business-guide>

⁶ <https://www.irs.gov/newsroom/tax-day-now-july-15-treasury-irs-extend-filing-deadline-and-federal-tax-payments-regardless-of-amount-owed>

⁷ https://www.dol.gov/sites/dolgov/files/WHD/posters/FFCRA_Poster_WH1422_Non-Federal.pdf

⁸ <https://www.akingump.com/en/experience/industries/national-security/COVID-19-resource-center/the-health-care-industry-and-the-cares-act-insight-and-next-steps.html>

⁹ <https://www.journalofaccountancy.com/news/2020/mar/cares-act-economic-relief-coronavirus-tax-provisions.html?fbclid=IwAR2oDkBhSMPIj2c5XLppOcUMh863Y3QqNxG2iNWbcUTP4rNrL4pTsUKZNRRE>

¹⁰ <https://www.inc.com/graham-winfrey/sba-loan-forgiveness-how-to-convert-loans-to-grants.html>