

COVID-19 related stimulus and your finances — business provisions

Several economic relief initiatives were released prior to the CARES (Coronavirus Aid, Relief and Economic Security) Act; however, the CARES Act was the broadest economic stimulus legislation. While the bill includes provisions intended to provide support and relief to individuals affected by COVID-19, it also includes measures that may be important to your business-related finances.

EMPLOYEE RETENTION TAX CREDIT

Many employers experiencing a decrease or complete disruption in business activities due to the virus may be eligible to receive a 50% refundable tax credit on wages and health care expenses paid, up to \$10,000. The credit is available for companies paying employees who are retained but not currently working due to the crisis. Amounts retained for employer-paid payroll taxes may be used as an advance on the tax credit. An additional advance may be available directly from the IRS for those with additional funding needs.

FAMILIES FIRST CORONAVIRUS RESPONSE ACT

Small- and mid-size businesses that are required to provide sick leave for employees may receive a refundable tax credit of up to 100% of the costs associated with continuing salary and health care coverage, up to a daily and aggregate maximum. The employee must be unable to work due to a diagnosis of COVID-19 or is currently seeking a diagnosis.

Coverage may also be available for those who need to care for another individual with a COVID-19 diagnosis or specified set of symptoms, or to care for a child or adult dependent who cannot attend day care or elder care facilities as a result of coronavirus-related closures. The maximum coverage is for up to two weeks at 66.6% of the employee's standard pay and health care coverage costs, up to a daily and aggregate maximum. Additional

sick leave may be available for credits for those who must stay home due to a lack of daycare or elder care facilities.

PAYCHECK PROTECTION PROGRAM

Businesses with fewer than 500 employees and independent contractors impacted by the economic downturn resulting from the pandemic may be eligible for forgivable loans, up to \$10 million per business, to cover payroll, interest payments on mortgages, and rent and utilities incurred between Feb. 15 and June 30, 2020. The loans do not require personal guarantees or collateral. The loans are forgivable to the extent that the company retained its employees for the duration of the covered period.

ECONOMIC INJURY DISASTER LOAN PROGRAM

Small businesses in all 50 states and U.S. territories are now eligible for loans through the Economic Injury Disaster Loan (EIDL) Program. Low-interest-rate loans are available for up to \$2 million. Some businesses may be able to delay their initial loan payment for up to a year and qualify for a generous 30-year payback duration. A loan received under the EIDL program may also be rolled into a loan made under the Payroll Protection Program.

The EIDL also allows for a \$10,000 grant to small businesses that qualify.

LENDING FOR LARGE- AND MID-SIZED BUSINESSES

The CARES Act also allows for funds to be allocated to provide liquidity to businesses too large to take advantage of the SBA loans through the Paycheck Protection Program and the EIDL Program. Businesses employing between 500 and 10,000 employees can obtain financing with interest rates not to exceed 2% annually. Mid-size businesses and non-profit organizations may be able to delay their first

loan payment for six months of the loan period. For larger businesses, only interest payments will be due for the first six months of the loan period. The proceeds of the loan must be used to retain at least 90% of the company's current workforce through Sept. 30, 2020.

If you have additional questions about these provisions or would like more details, please reach out to your financial advisor with Waddell & Reed.

This is a general overview of certain rules related to the CARES Act, and the ideas presented are not individualized for your particular situation. This information is based on current law which can be changed at any time.

The following information is provided for informational and educational purposes only. It is based on data gathered from what we believe are reliable sources, but it is not guaranteed and should not be relied upon for financial advice. For your specific financial needs, please discuss your individual circumstances with your financial advisor.

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