



THE CARES ACT- THE PAYROLL PROTECTION PROGRAM

The CARES Act, an emergency bill that Congress passed in response to the Coronavirus pandemic, was signed into law on March 27, 2020. The law, among other things, created the Payroll Protection Program which makes approximately \$349 billion available to provide 8-weeks of cash flow assistance to small businesses through 100% federally guaranteed loans to employers who maintain their payrolls through this national emergency.

Key Provisions:

Eligible Recipients

Small businesses, non-profits, Tribal business concerns, and veteran's organizations that:

- have less than 500 employees (or the applicable size standard for the industry under the SBA),
- are sole proprietors, self-employed persons, or independent contractors
- were in business on February 15, 2020

Applicants need self-certify that they require a loan to continue operations due to the uncertainty around the Coronavirus crisis, and there are no:

- personal guarantees
- personal resource tests
- collateral requirements
- credit elsewhere tests

If a business has already laid off more than 25% of their employees, it may need to hire some, or all, of their staff back to be eligible for loan forgiveness.

Maximum Loan Amounts and Terms

Loans of up to \$10,000,000 will be given in an amount of 2.5 times a businesses' average monthly payroll, rent, interest expense, and utility payments based on a trailing twelve-month average. Payroll includes all benefits and includes 1099 employees. If you are a new business (less than one year in business), the trailing twelve-month measuring period would be shortened to January 1, 2020 to February 29, 2020. It is important to note that when calculating payroll costs, each employee is capped at \$100,000 in total compensation.

Loans can be used to fund:

- Payroll costs
- Health care benefits

- Mortgage interest
- Rent payments
- Utility costs
- Interest obligations incurred prior to February 15, 2020

Loans will be issued under the following terms:

- A maximum 10-year maturity
- Interest to not exceed 4%
- Payment deferral for at least 6 months, and not more than 1 year
- No prepayment fees or borrower/lender fees

Loan Deferral and Forgiveness

Covered SBA loans made before June 30, 2020 are eligible for repayment deferral for six months to one year, and forgiveness for an 8-week period after original in the amount equal to the cost of:

- Payroll costs (prorated up to \$100,000 per individual)
- Payment of interest on mortgage obligation
- Rent obligations
- Utility payments

It is important to note that the amount of the loan forgiven will be proportionately reduced if your average number of employees is reduced. The total amount of the loan forgiven will be reduced by the total amount that payrolls should fall in excess of 35%. Also, if the borrowed funds are used for anything other than payroll costs, mortgage interest, rent, and utilities payments over the 8 weeks after getting the loan, those funds will not be forgiven.

For any amount that is forgiven, it will not count towards gross income for tax purposes.

Where and how to apply

All approved SBA lenders can approve a Paycheck Protection Loan. While the SBA guarantees these loans, an SBA lender will underwrite and originate the loan. You should start with your current lender or banking relationship as it is anticipated that lenders will have many requests and work with their existing relationships first.

For additional benefits of the CARES Act for individuals, please see the chart on the next page.

We hope you found this valuable and helpful. Our advisors are ready and available to assist with any questions you may have, so please feel free to contact us.

FOCUSED ON YOUR FINANCIAL INDEPENDENCE

Recovery Rebate	Coronavirus-Related Distributions	Other Provisions	Unemployment Compensation Benefits	Small Business Benefits
<ul style="list-style-type: none"> ■ There is a refundable income tax credit against 2020 income for both married couples who file jointly as well as those individuals filing by themselves. The credit for married couples can be as high as \$2,400, and for single filers it can be as high as \$1,200. Additionally, the credit amount increases by up to \$500 for each child a taxpayer has under the age of 17. ■ There are however threshold amounts based on an individual's annual gross income. For married couples filing jointly, the threshold is \$150,000; for head of household the threshold is \$112,500; for all other filers the threshold is \$75,000. The tax credit is reduced by \$50 for every \$1,000 an individual or couple filing jointly earns over the respective threshold amounts. ■ To be eligible for this tax credit, individuals must have a work-eligible Social Security number (and not be claimed as a dependent). However, they do not need to have had reportable income in 2019 and can also be eligible for other income-benefit programs. 	<ul style="list-style-type: none"> ■ If an individual has been impacted by the Coronavirus, they will be eligible for Coronavirus-Related Distributions, which are distributions of up to \$100,000 in 2020 from their IRA, employer-sponsored retirement plan, or a combination of both. ■ These distributions are exempt from the 10% penalty, not subject to mandatory withholding requirements, are eligible to be repaid over 3 years, and the income may be spread over 3 years. 	<ul style="list-style-type: none"> ■ The Required Minimum Distributions (RMDs) are waived in 2020. Taxpayers who have already taken their RMDs for this year have the option of returning them, if they would like. ■ When it comes to the 5-Year Rule, which applies to non-designated beneficiaries (e.g., charities, estates, non-see-through trusts) who inherit a retirement account from descendants who die prior to reaching their required beginning date, 2020 will be ignored. ■ There is a new \$300 above-the-line deduction for "qualified charitable contributions", and the annual gross income limit for cash charitable contributions has been temporarily repealed. ■ Student loan payments are deferred until September 30, 2020. Additionally, employers can exclude student loan repayments from compensation. 	<ul style="list-style-type: none"> ■ The standard unemployment compensation has been increased by \$600 per week, and the benefit period has been extended by 13 weeks. ■ The one-week waiting period for unemployment benefits will be waived, meaning individuals will receive benefits the first week of unemployment. 	<ul style="list-style-type: none"> ■ Certain small businesses can now qualify for small business loans on a federal level up to a maximum of the lesser of \$10 million or 2.5 times average payroll costs to cover payroll, rent, utilities, mortgage interest, group insurance premiums, and more. ■ These small business loans, which have a maximum interest rate of 4%, are eligible for full or partial forgiveness. Eligible amounts must be spent during the first eight weeks after the loan is made if it is spent on payroll, rent, utilities, and group health insurance premiums. However, the business must maintain the same number of employees (subject to certain time frames). ■ There is a payroll tax credit for qualifying businesses not receiving a covered loan. ■ Employers are eligible to defer payroll taxes from the date of enactment through the end of 2020 until the end of 2021 and 2022.

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Source: Coronavirus Aid, Relief, and Economic Security Act



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