

THE CARES ACT

// AS OF 3-27-20 //



// INDIVIDUALS //

- Tax Return filing deadlines and payment deadlines have been extended to July 15
- \$1,200 checks to Americans up to \$75k adjusted gross income (AGI); \$2,400 for couples up to \$150k AGI. \$500 per child under the age of 17. Phase outs apply. Completely phases out at \$99K for single and \$198K for married filing jointly (\$500 billion total)
 - Income levels based on 2019 federal returns if filed, 2018 if not
 - Possible check issuance date of April 6th with second batch on May 18th
 - Will be considered an advance payment against the credit you will calculate on your 2020 federal return
- Big Boost to Unemployment - \$600 a week for four months (on top of what state unemployment pays)
- Suspends 10% early withdrawal for distributions up to \$100k for COVID-19 expenses or experience adverse financial consequences.
- Ability to defer payments on federal student loan without penalty until September 30

// BUSINESSES //

- Employers can defer payroll taxes until 2021. Must be paid over the following 2 years
- Employee Retention Tax Credits if operations are fully or partially suspended - wages from 3/13-12/31/20
- Correction to Qualified Improvement Property provisions of TCJA that will allow retroactive bonus depreciation. May require amendment

PAYCHECK PROTECTION PROGRAM

- SEC 1102 OF CARES ACT -

// AS OF 3-27-20 //



// PAYCHECK PROTECTION PROGRAM //

A FEW OBSERVATIONS:

- \$349 billion loan program for small businesses
 - 100% federal guarantee
 - Loans will be made through FDIC insured banks
 - Loans made from 2/15/20 – 6/30/20
 - Non-recourse against individual, shareholder, member or partner (unless used for unauthorized purposes - see below)
 - No personal guarantees or collateral required
 - No fees shall be collected from borrower
 - Removes requirement that borrower has ability to obtain credit elsewhere
 - Portion not forgiven (see below) will have maturity not more than 10 years.
 - Interest shall not exceed 4%
 - Payments can be deferred for 6 months up to a year - guidance will be issued w/in 30 days
 - May be able to be combined with (or refinance) an existing SBA Economic Disaster Loan - *more guidance will be forthcoming*
 - No prepayment penalties

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A FEW DETAILS:

- Who qualifies as “eligible recipient”:
 - Small business concerns, non-profit organizations, other groups who have 500 employees or less (full-time, part-time or other basis)
 - Sole proprietorships, independent contractors and eligible self-employed individuals
 - Certain other industries as defined in Section 1102
 - Small business concerns must have experienced as a result of COVID-19:
 - Supply chain disruptions
 - Staffing challenges
 - Decrease in gross receipts or customers
 - A closure

// PAYCHECK PROTECTION PROGRAM //

A FEW DETAILS:

- How can the proceeds be used?
 - Authorized uses include:
 - Payroll Costs (inc salaries, commissions, etc.)
 - Health Insurance Benefits
 - Interest on mortgage obligations - no pre-payments or payment of principal
 - Interest on any other debt obligations incurred before covered period
 - Rent
 - Utilities

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A FEW DETAILS:

- How is the loan amount determined?
 - Lesser of average total monthly payments for payroll (details below) for 1 year period before loan was made by 2.50 or \$10,000,000 *and* any disaster loan taken out after 1/3/20 and refinanced into this note.
 - What is included in payroll?
 - Salaries, wages, commissions, tips, separation or other comp.
 - Payments for vacation, parental, family, medical or sick leave
 - Benefits inc health insurance and retirement
 - Payment of state and local tax assessed on compensation
 - Sum of payments of any compensation to sole proprietor or independent contractor that is not more than \$100,000 in 1 year prorated to the covered period
 - What is not included?
 - Compensation in excess of annual salary of \$100,000 prorated to covered period
 - Qualified sick or family leave for which credit is allowed under Families First Act
 - Payroll Taxes

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A FEW DETAILS:

- What are the Forgiveness provisions?
 - Subject to certain limitations, the amount forgiven is the principal amount spent over the 8 weeks following the loan origination on:
 - Payroll Costs
 - Interest on Covered Mortgage Obligations
 - Liability of borrower
 - Mortgage on real or personal property
 - Incurred before 2/15/20
 - Rent under lease in force before 2/15/20
 - Utilities for which service began before 2/15/20
 - Treated as cancellation of debt income; however, does not appear taxable

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A FEW DETAILS:

- What are the forgiveness limitations?
 - May not exceed principal amount of loan
 - Will be reduced if there is a reduction on the number of employees
 - Multiply the potential exclusion amount noted (i.e. spent on eligible uses) by:
 - Average Full time equivalent (FTE) per month during covered period (8 weeks after origination)

divided by either (at borrower discretion):
 1. Average monthly FTE from 2/15/19-6/30/19 or
 2. Average FTE from 1/1/20 - 2/29/20
 - May also be reduced if a 25% reduction in total salary of any employees (with annualized wages less than \$100,000) during the covered period (8 weeks after origination)
 - Will be required to provide supporting documentation (i.e. payroll tax filings, check stubs, etc) to qualify for forgiveness.