

Stimulus Package Information

The CARES Act is Signed into Law. Now What?

After furious bi-partisan negotiations, the President signed the Cares Act into law on March 27, 2020. While the impact of the Act is far-reaching, many business owners, non-profits and individuals want to know what they can do now to begin the recovery process and inject much-needed cash back into their businesses.

We will look at a few of the things businesses can take advantage of immediately or very soon to get back on track.

Paycheck Protection Program Loans (PPP loans)

This is a \$350 billion program to provide eight weeks of cash-flow assistance to small businesses through 100% federally guaranteed loans to employers, including 501(c)(3) non-profits, who maintain their payroll during this emergency.

How can I get money?

These loans can be applied for through SBA-approved lenders from now until June 30, 2020. The process to apply is still to be determined by the SBA, but we believe it will be through your traditional SBA affiliated banks.

How much?

The PPP loan amount is based on the lesser of \$10 million or the average monthly payroll costs for the past year multiplied by 2.5. Therefore, if the loan was made on April 1, 2020, the average monthly payroll cost from April 1, 2019 to April 1, 2020 would be used to calculate the loan amount. (Example: your average monthly payroll is \$100,000- you are eligible for a \$250,000 PPP loan).

Payroll costs generally include wages paid to employees and self-employment income and include amounts for group health care (including premiums), vacation, medical, family, and sick leave. Up to \$100,000 per employee qualifies.

Loan Forgiveness

Costs incurred for the eight weeks after receiving the loan related to payroll costs (as defined above), mortgage/debt interest on mortgages in place prior to February 15, 2020, rent and utilities will be forgiven against the PPP loans.

The amount of the loan forgiven is lowered if you reduce your workforce or payroll costs in this eight-week period compared to the same period in 2019. This loan forgiveness is not considered taxable income.

Loan Terms:

- Maximum maturity of 10 years and rate not to exceed 4%. Guaranteed by the federal government.
- No collateral, no personal guarantees.
- In addition, there is a possible six-month loan payback deferral.
- Economic Injury Disaster Loans (EIDL), discussed in the next section, can be refinanced as PPP loans.

Note: If you participate and receive loan forgiveness with a PPP loan you are not eligible for the employee retention credit or the payroll tax deferral.

Economic Injury Disaster Loans & Grants (EIDL)

Grants

The CARES Act includes \$10 billion in funding to provide advance emergency grants of \$10,000 to small businesses and nonprofits that also apply for a SBA economic injury disaster loan. These emergency grants will be provided to applicants in a reasonably short amount of time after applying and are on a first-come-first-served basis.

How do I get the money?

The SBA is updating their system to implement this provision so small businesses can request an EIDL advance when they apply for the loan. This update will be available in the coming days. In the interim period, you can still apply for a full [Economic Injury Disaster Loan](#), but will need to reapply for the advance when the system is updated with a streamlined application. Once updated, the advance will be included in your EIDL application process.

<https://www.sba.gov/disaster/apply-for-disaster-loan/index.html>

How much?

\$10,000

Repayment

The EIDL grant does not need to be repaid, even if the grantee is subsequently denied an EIDL. It may be used to provide paid sick leave to employees, maintain payroll, meet increased production costs due to supply chain disruptions, or pay business obligations, including debts, rent and mortgage payments. Eligible grant recipients must have been in operation on January 31, 2020. The grant is available to small businesses, private nonprofits, sole proprietors and independent contractors, tribal businesses, as well as cooperatives and employee-owned businesses.

Loans

The Act expands the eligibility to access [Economic Injury Disaster Loans](#) for businesses with fewer than 500 employees and to any individual operating as a sole proprietor or an independent contractor.

How do I get the money?

<https://www.sba.gov/disaster/apply-for-disaster-loan/index.html>

How much?

Up to a maximum of \$2 million. They carry interest rates up to 3.75% for companies and up to 2.75% for nonprofits. The loans may be used to pay for expenses that could have been met had the disaster not occurred, including payroll and other operating expenses.

Coordination with other programs

Please note that businesses cannot get both EIDL and PPP loans at the same

time. You can apply for the EIDL loan now and the PPP loan when it becomes available. If you qualify and accept the EIDL loan, and you subsequently qualify for the PPP loan, you can refinance the EIDL loan with the PPP loan, OR you can apply for both loans and decide which one you take if you qualify for both. Loans are limited to one per Taxpayer Identification Number.

Employee Retention Credit

The Act includes a provision for a refundable payroll tax credit for 50 percent of wages paid by employers to employees during the COVID-19 crisis.

Who Qualifies?

An eligible employer is defined as:

- An employer whose trade or business is fully or partially suspended during the calendar quarter due to orders from an appropriate governmental authority limiting commerce, travel, or group meetings (for commercial, social, religious, or other purposes) due to the coronavirus disease (COVID-19); or
- An employer that experiences a 50% decline in gross receipts for the calendar quarter compared to the same quarter in the prior year.

How much is the credit?

The Act grants eligible employers a credit against employment taxes equal to 50 percent of qualified wages paid to employees who are not working due to the employer's full or partial suspension of business or a significant decline in gross receipts. The credit can be claimed on a quarterly basis, but the amount of wages, including health benefits, for which the credit can be claimed is limited to \$10,000 in aggregate per employee for all quarters.

Qualified Wages

The credit applies to qualified wages paid after March 12, 2020 and before January 1, 2021. If the employer has more than 100 full-time employees, qualified wages are wages paid to employees who cannot work during the COVID-19-related circumstances described above. If the employer has 100 or fewer full-time employees, all employee wages qualify for the credit, whether the employer is open for business or subject to a shut-down order.

Note: these credits can't be taken if the business has loan forgiveness under the PPP Loan program.

Delay of payment of employer payroll taxes

There is an optional deferral of the employer's share of payroll taxes for the rest of the year. The employer share can be held back and paid evenly at December 31, 2021 and December 31, 2022.

Enhanced unemployment benefits

There is an enhanced limited-time unemployment payment of \$600 per week in addition to regular benefits and expansion of unemployment benefits to self-employed individuals including partners. Benefits for self-employed will be based on self-employment income and can be accessed on the applicable state unemployment website.

Other provisions included in the Act:

- 15 year qualified improvement property approved retroactively to September 27, 2017. This presents an opportunity to go back and amend returns to generate refunds based on the corrected depreciation rules.
- Business interest limitation increased to 50% from 30%.
- Up to \$100,000 penalty-free distributions from qualified retirement plans for COVID-19 related costs.
- Required minimum distributions suspended for 2020.

- Net operating losses are now allowed to be carried back five years for years 2018-2020. Amended returns can be filed to take losses back and recover some prior year taxes.
- Recovery rebate checks of \$1,200 will be sent to all individuals with adjusted gross income up to \$75,000 or \$112,500 for head of household filers. All married couples, with adjusted gross income up to \$150,000 who file a joint return, are eligible for \$2,400. Those amounts increase by \$500 for every child. The rebate checks begin to phase out at the above income levels.
- Enhanced charitable contribution rules allow an unlimited itemized deduction for contributions, which would otherwise be limited to 50% of adjusted gross income. The Act also allows an above-the-line-deduction of up to \$300 for individuals who don't itemize their deductions. In the case of corporations, the usual 10-percent limitation on contributions is increased to 25 percent for the 2020 tax year.

We are here to assist you during these difficult economic times. Please [contact us](#) so we can discuss how best to access the benefits that the CARES Act has to offer for your specific situation.

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