

# The CARES Act & COVID-19 SBA Resources

# The CARES Act - Recovery Rebates for Individuals

- Eligible individuals will receive a refundable tax credit against their 2020 taxable income equal to \$1,200 (\$2,400 for joint filers) plus \$500 per qualifying child.
  - The credit begins to phase out if the individual's adjusted gross income (AGI) exceeds \$75,000 (\$150,000 for joint filers and \$112,500 for head of household filers)
  - The credit will be automatically advanced to eligible individuals based on the individual's most recent income tax filing (2018 or 2019 tax filings)
- Individuals who have not filed a tax return in 2018 or 2019 may still receive an automatic advance based on their social security benefit statements (Form SSA-1099) or social security equivalent benefit statement (Form RRB-1099)

# The CARES Act (continued)

- Temporary Waiver of Required Minimum Distribution Rules for Certain Retirement Plans and Accounts.
- Allowance of Partial Above the Line Deduction for Charitable Contributions.
- Special Rules for Use of Retirement Funds.
- Modification of Limitations on Charitable Contributions During 2020

# The CARES Act (continued)

## Employer Payroll Tax

- Employee Retention Credit for Employers Subject to Closure Due to COVID-19
- Delay of Payment of Employer Payroll Taxes

## Corporate Tax

- Many new benefits enacted through this legislation. Contact your accountant for more details.

# SBA Economic Injury Disaster Loans & Advance

## Loan Advance

- In response to the Coronavirus (COVID-19) pandemic, small business owners in all U.S. states, Washington D.C., and territories are eligible to apply for an Economic Injury Disaster Loan advance of up to \$10,000

## Economic Injury Disaster Loan

- The SBA's Economic Injury Disaster Loan program provides small businesses with working capital loans of up to \$2 million that can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing.
- The loan advance will provide economic relief to businesses that are currently experiencing a temporary loss of revenue.
- Funds will be made available within three days of a successful application, and this loan advance will not have to be repaid.

# SBA Payroll Protection Program

- The Paycheck Protection Program (“PPP”) authorizes up to \$349 billion in forgivable loans to small businesses to pay their employees during the COVID-19 crisis.
- All loan terms will be the same for everyone.
- The loan amounts will be forgiven as long as:
  - The loan proceeds are used to cover payroll costs, and most mortgage interest, rent, and utility costs over the 8 week period after the loan is made; and
  - Employee and compensation levels are maintained.
- Payroll costs are capped at \$100,000 on an annualized basis for each employee. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.
- Loan payments will be deferred for 6 months.

# PPP (continued)

- When can I apply?
  - Starting April 3, 2020, small businesses and sole proprietorships can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders.
  - Starting April 10, 2020, independent contractors and self-employed individuals can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders.
  - Other regulated lenders will be available to make these loans as soon as they are approved and enrolled in the program.

# PPP (continued)

## Where can I apply?

- You can apply through any existing SBA lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating.
- Other regulated lenders will be available to make these loans once they are approved and enrolled in the program.
- You should consult with your local lender as to whether it is participating.
- Visit [www.sba.gov](http://www.sba.gov) for a list of SBA lenders.

# PPP(continued)

## Who can apply?

- All businesses - including nonprofits, veterans organizations, Tribal business concerns, sole proprietorships, self-employed individuals, and independent contractors - with 500 or fewer employees can apply.
- Businesses in certain industries can have more than 500 employees if they meet applicable SBA employee-based size standards for those industries.

# PPP(continued)

## What do I need to apply?

- You will need to complete the Paycheck Protection Program loan application and submit the application with the required documentation to an approved lender that is available to process your application by June 30, 2020.
- Application is available on SBA.gov

## What other documents will I need to include in my application?

- You will need to provide your lender with payroll documentation

# PPP(continued)

Do I need to first look for other funds before applying to this program?

- No.
- The SBA is waiving the usual SBA requirement that you try to obtain some or all of the loan funds from other sources (i.e., we are waiving the Credit Elsewhere requirement).

How long will this program last?

- Although the program is open until June 30, 2020, we encourage you to apply as quickly as you can because there is a funding cap and lenders need time to process your loan.

How many loans can I take out under this program?

- Only one.

# PPP(continued)

## What can I use these loans for?

- You should use the proceeds from these loans on your:
  - Payroll costs, including benefits
  - Interest on mortgage obligations, incurred before February 15, 2020
  - Rent, under lease agreements in force before February 15, 2020
  - Utilities, for which service began before February 15, 2020.

## What counts as payroll costs?

- Payroll costs include:
  - Salary, wages, commissions, or tips (capped at \$100,000 on an annualized basis for each employee);
  - Employee benefits including costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit;
  - State and local taxes assessed on compensation;
  - For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis for each employee.

# PPP(continued)

## How large can the loan be?

- Loans can be for up to two months of your average monthly payroll costs from the last year plus an additional 25% of that amount.
- That amount is subject to a \$10 million cap. If you are a seasonal or new business, you will use different applicable time periods for your calculation.
- Payroll costs will be capped at \$100,000 annualized for each employee.?

## How much of my loan will be forgiven?

- You will owe money when your loan is due if you use the loan amount for anything other than payroll costs, mortgage interest, rent, and utilities payments over the 8 weeks after getting the loan.
- Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.
- You will also owe money if you do not maintain your staff and payroll

# PPP(continued)

How much of my loan will be forgiven?

- Number of Staff: Your loan forgiveness will be reduced if you decrease your full-time employee headcount.
- Level of Payroll: Your loan forgiveness will also be reduced if you decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019.
- Re-Hiring: You have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.

# PPP(continued)

How can I request loan forgiveness?

- You can submit a request to the lender that is servicing the loan.
- The request will include documents that verify the number of full-time equivalent employees and pay rates, as well as the payments on eligible mortgage, lease, and utility obligations.
- You must certify that the documents are true and that you used the forgiveness amount to keep employees and make eligible mortgage interest, rent, and utility payments.
- The lender must make a decision on the forgiveness within 60 days.

# PPP(continued)

## Terms of the loan

- Interest rate 0.50% fixed rate.
- All payments are deferred for 6 months; however, interest will continue to accrue over this period.
- When is my loan due? In 2 years
- There are no prepayment penalties or fees.
- No collateral is required.
- There is no personal guarantee requirement.
- \*\*\*However, if the proceeds are used for fraudulent purposes, the U.S. government will pursue criminal charges against you.\*\*\*

# A few things to remember

- Be aware of scams. Only visit sites with .gov or from your specific bank
- Be aware of IT threats.
- Make sure your application and the information is correct you are providing.
- Make sure you are going for the correct loan, grant or resource.
- Contact your professionals.

# Contact info

<http://www.jgspc.com/covid-19-resources/>

Brian Powers, MBA

Vice President of Business Development & Marketing

JGS, CPA, P.C.

845-692-9500 x 111 Phone

845-692-7522 Fax

877-740-9500 Toll free

*Offices in Middletown & Poughkeepsie*

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