

CARES Act for businesses update

The following represents a summary of the recently signed into law CARES Act—also referred to as the Stimulus Package. Specifically, we are providing a summary of the Paycheck Protection Program.

Title 1 of the CARES Act, entitled “Keeping American Workers Paid and Employed Act,” provides relief for small businesses and their employees who are adversely affected by the COVID-19 outbreak. The key provision in this Act is the **Paycheck Protection Program**—an emergency lending facility to provide small business loans on favorable terms to borrowers impacted by the current economic state.

PAYCHECK PROTECTION PROGRAM – KEY POINTS

The following offers highlights of the Paycheck Protection Program that small business owners need to be aware of and consider as they move forward:

- Available to businesses with 500 employees or less.
- Loan period ranges from March 15, 2020 through June 30, 2020.
- Loan amount equates to 2.5% of average payroll expenses from 2019—up to \$10 million.
- **Loan interest is .5% (Treasury changed from up to 4% on 03/31/2020.)**
- **Loan duration is 2 years. (Treasury changed from a max of 10 years on 03/31/2020.)**
- Loan forgiveness is available—A borrower is eligible for loan forgiveness equal to the amount spent on the following items, during the eight-week period beginning on the loan origination date:
 - Payroll costs
 - Mortgage interest incurred in the ordinary course of business
 - Rent paid based on a leasing agreement
 - Payments for utilities—including electricity, gas, water, transportation, telephone or internet
 - Additional wages paid to tipped employees

Note: The loan forgiveness amount can be reduced if there is a reduction in the number of employees or a reduction of greater than 25% in wages paid to employees.

Note: To have loan amounts forgiven, at least 75% of forgiveness amount calculated must be for payroll costs. (This is a NEW requirement from the Treasury as of 03/31/2020.)

- Collateral is not required to secure the loan.

- No personal guarantee is required to secure the loan.
- Loan repayments are automatically deferred for six months and up to one year. This includes interest, fees and loan principal.
- Payment Protection Program loans are applied for through approved banks. The SBA may administer some loans based on viability.
- For businesses that have been denied SBA loans previously, lending requirements are more lenient.

CARES ACT – ADDITIONAL KEY POINTS

Employee Retention Payroll Tax Credit

- The Employee Retention Payroll Tax Credit cannot be used in conjunction with the Payroll Protection Program or any other loan where payroll costs are forgiven.
- Employee retention credit is equal to 50% of the qualified wages paid, but cannot exceed \$10,000 per employee.
- The employer's gross receipts must be 50% or less than the same calendar quarter in 2019 to qualify.
- For employers with 100 or less employees, qualified wages are defined as wages paid for all employees during the period—whether they were able to work or not. For employers with 100 or more employees, qualified wages are defined as wages paid to employees not providing services.

Deferral of Employer Social Security Taxes

The deferral of employer social security taxes cannot be used in conjunction with the Payroll Protection Program. This allows an employer to defer their portion of Social Security taxes from March 27, 2020 to January 1, 2021—and are due by December 31, 2021.

Bonus Depreciation

This allows employers to expense qualified improvement property under the section 168 bonus depreciation rules.