

# CORONA VIRUS



L A T E S T U P D A T E

## CARES Act Impact on Small Business

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CORONA VIRUS



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# Coronavirus Aid Relief and Economic Security Act

<https://assets.documentcloud.org/documents/20059055/final-final-cares-act.pdf>

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S.L.C.

AMENDMENT NO. \_\_\_\_\_ Calendar No. \_\_\_\_\_

Purpose: Providing emergency assistance and health care response for individuals, families and businesses affected by the 2020 coronavirus pandemic.

**IN THE SENATE OF THE UNITED STATES—116th Cong., 2d Sess.**

## **H. R. 748**

To amend the Internal Revenue Code of 1986 to repeal the excise tax on high cost employer-sponsored health coverage.

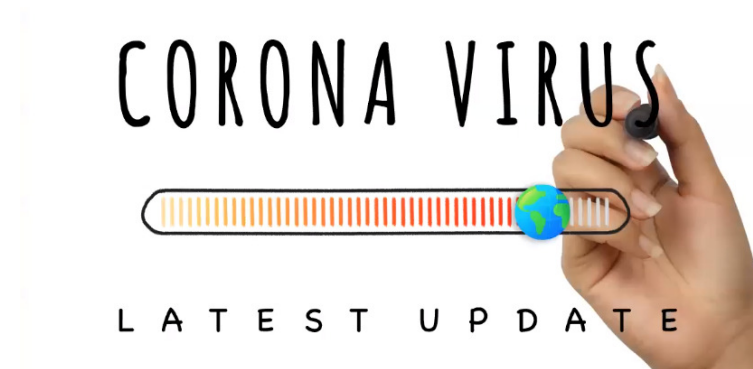
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Today's Webinar – CARES Act Impact on Small Businesses

Tuesday's Webinar – COVID19 Impact On The Economy



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# Coronavirus Aid Relief and Economic Security Act

## Emergency Relief Package Benefits:

- Individual Households
- Gig Economy Workers
- Independent Contractors
- Small Businesses
- Local Governments
- Hospitals
- Education

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# Coronavirus Aid Relief and Economic Security Act

## Emergency Relief Package Benefits:

- Recovery Rebates
- Penalty-Free Withdrawals
- Tax Deferral
- Sick Employee Payroll Tax Credit (FFCRA)
- Unemployment Boost
- Employee Retention Tax Credit
- SBA Disaster Loans
- [Paycheck Protection Program](#)



RELIEF

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# Provisions For Individual Households

## Emergency Relief Package Benefits For Individuals:

- Individuals are eligible for up to \$1,200 - plus \$500 per child under the age of 17
- Payments phase out for individuals with adjusted gross incomes of more than \$75,000.
- The phaseout will reduce the payment by \$5 for every additional \$100 of adjusted gross income above your phase-out threshold.
- Individuals making more than \$99,000 will not receive anything.
- Income will be based on your 2019 or 2018 tax return.
- If you made more money in 2019 than 2018 – consider delayed filing.



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# Provisions For Individual Households

## **Emergency Relief Package Benefits For Families:**

- Couples are eligible for up to \$2,400 - plus \$500 per child under the age of 17
- Payments phase out for individuals with adjusted gross incomes above \$150,000.
- The phaseout will reduce the payment by \$5 for every additional \$100 of adjusted gross income above your phase-out threshold.
- Couples making more than \$198,000 will not receive anything.
- Income will be based on your 2019 or 2018 tax return.

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# Provisions For Individual Households

## Penalty-Free Withdrawals From Retirement Accounts

- Up to \$100,000
- Should be your “absolute last resort”
- Loss of compounding affect
- Roth IRAs can withdraw your initial contribution penalty and tax-free if it’s been at least five years since your first contribution
- Earnings on Roth IRAs can’t be withdrawn until retirement
- DO NOT RECOMMEND ACCESSING YOUR ROTH ACCOUNT
- 2020 MAY BE A GREAT YEAR TO DO A ROTH CONVERSION (TUESDAY CALL)

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# Provisions for Employers

- × Deferral of payments for employer Social Security Tax
- × Employee retention credit
- × Paycheck protection program
- × Expansion of unemployment insurance benefits

# Deferral of Employer Social Security Tax Payment

- × Applies to liabilities incurred between date of enactment and 12/31/2020
- × Deferred taxes must be repaid over two-year period:
  - 50% due by 12/31/2021
  - Reminder due by 12/31/2022



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# Tax Deferral

## **Gives small businesses more time to cover payroll taxes**

- Employers can defer their portion of the Social Security payroll tax (6.2% rate) in 2020.
- Will not save firms money, it simply frees up cash.
- Firms only get the benefit to the extent they have workers on payroll.

# Expanded Unemployment Benefits

*The CARES Act gives federal money to states to pay unemployment benefits through “short-term compensation programs.”*

CARES expands the scope of eligibility:

- × Self-employed
- × Gig workers
- × Workers furloughed due to COVID-19

Exceptions:

- × Those with ability to work remotely
- × Those receiving paid sick leave



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# Expanded Unemployment Benefits

## Increased Benefits

- × CARES increases maximum benefit amount by \$600 per week
- × Over and above state benefit
- × Applies until July 31, 2020

Illinois Maximum Weekly Benefit Amount w/dependent: \$648 per week

CARES increase: +\$600 per week

= \$1,248 per week

# Expanded Unemployment Benefits

## Time Period

Additional Covered Workers:

- January 27-December 31, 2020

Total benefit period per worker:

- Limited to 39 weeks

Limit to additional \$600 weekly benefit:

- Only available until July 31st

## State Administration

- Benefits administered by each state
- States must agree to provide these benefits
- States must agree to provide these benefits
- States will be reimbursed by DOL
- States may choose to waive waiting periods



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# FFCRA – Families First Coronavirus Response Act

Employers with fewer than 500 full-time or part-time employees

Designed to reimburse employers for the cost of providing leave to employees affected by COVID-19, the respiratory illness caused by the coronavirus.

The act, effective April 1 through the end of 2020, provides that the federal government will reimburse small businesses for costs related to giving employees paid leave

- for the employee's own health needs
- to care for family members

If an employer is paying out more in COVID-19-required leave than its payroll tax liability, employers can immediately file for a refund.

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# Employee Retention Tax Credit

**Businesses that retain workers during the coronavirus health crisis can get a refundable payroll tax credit.**

<https://www.irs.gov/newsroom/faqs-employee-retention-credit-under-the-cares-act>

- The credit is equal to 50% of wages up to \$10,000 per worker.
- The maximum credit per employee is \$5,000 this year.
- Not available for businesses that go through the Paycheck Protection Program.
- Credit can be claimed against quarterly payroll taxes.
- The Treasury can make advance payments of the tax credit, and waive penalties for employers who don't pay applicable payroll taxes in anticipation of receiving the credit.

# Employee Retention Credit

- × Eligible employers receive a credit against employment taxes
- × Meant to encourage employers to keep workers on their payroll
- × Operating a business in 2020, AND
- × Business operations were suspended due to a COVID-19 order, OR
- × The business sustained a significant decline in a gross receipt over the same quarter of the prior year



**Not available to business taking a Paycheck Protection Program Loan**

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# Employee Retention Credit

## Qualifying Wages

- For employers with 100 or fewer employees, this credit can be applied against any employee wages
- Employer's contribution to health plans are included in wages

## Applying the Credit

- Credit applied to a company total for employer FICA
- Applied after credits available under
- Families First Coronavirus Relief Act Reduction may be allowed against all federal liabilities

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# SBA Disaster Loans

Small business owners in all U.S. states are eligible to apply for an Economic Injury Disaster Loan advance of up to \$10,000.

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.

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# SBA Disaster Loans

***The loan advance may not have to be repaid.***

SBA is collecting the requested information in order to make a loan under SBA's Economic Injury Disaster Loan Program to the qualified entities listed in this application that are impacted by the Coronavirus (COVID-19). The information will be used in determining whether the applicant is eligible for an economic injury loan. If you do not submit all the information requested, your loan cannot be fully processed.

<https://covid19relief.sba.gov/#/>

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# Paycheck Protection Program

## Who Is Eligible?

- Any small business with 500 or fewer employees
- Includes sole proprietorships and independent contractors.
- Applications accepted up to June 30. Program is on a first come, first serve basis.

## What For?

- The goal of the loan program is to help small businesses continue to pay their employees and their overhead costs over next couple of months.
- ***As long as you use the borrowed funds to make payroll and to pay utilities, rent or mortgage, you may not have to repay the loan on the forgiven amount.***
- In order for your loan to be fully forgiven you must maintain your headcount and not reduce employees' pay.
- Any loan forgiveness will not be included as taxable income.

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# Paycheck Protection Program

## What Do I Need To Apply?

- Proof that your company was in operation on Feb. 15, 2020 and that you had employees for whom you paid salaries and payroll taxes.
- Proof of your average monthly payroll costs in 2019 (or for the first two months this year if your business is new).
- Independent contractors and the self-employed, who must wait until April 10 to apply, need to show proof of "payroll and other certain expenses" according to Treasury.
- No personal guarantee
- No loan fees



# Paycheck Protection Program

- × Covered period is February 15, 2020-June 30, 2020
- × Expands covered businesses
- × No cost to apply
- × Loan may be forgiven
- × Employers with fewer than 500 employees
- × Must have been operational on February 15, 2020



# Paycheck Protection Program

## Maximum Amount

- Businesses eligible for a loan of 2.5x their average monthly payroll costs for prior year
- Limited to \$10 million

## Term and Interest

- Maximum 10-year term
- Maximum 4% interest

## Waivers

- “Credit elsewhere” test
- Collateral
- Personal guarantee

# Paycheck Protection Program

**This loan may be forgiven, but conditions apply:**

Funds used for the following are eligible for forgiveness:

- × Payroll
- × Mortgage interest
- × Rent
- × Utilities


**Only applies to expenses within the 8 week following origination date**

Amount forgiven reduced proportionally to amount of workforce reduced



# Paycheck Protection Program

<https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Application-3-30-2020-v3.pdf>

		<b>Paycheck Protection Program Application Form</b>		OMB Control No.: 3245-0407 Expiration Date: 09/30/2020	
Non-Profit <input type="checkbox"/> Vet Org <input type="checkbox"/> Tribal <input type="checkbox"/> Ind. Cont. <input type="checkbox"/> Self Employed <input type="checkbox"/>			<b>DBA or Tradename if applicable</b>		
<b>Business Legal Name</b>					
<b>Business Primary Address</b>			<b>Business TIN (EIN,SSN)</b>	<b>Business Phone</b>	
				( ) -	
			<b>Primary Contact</b>	<b>Email Address</b>	
Average Monthly Payroll:	\$	X 2.5 equals Loan Amount:	\$	Number of Jobs:	
Purpose of the loan (select more than one):					
<input type="checkbox"/> Payroll <input type="checkbox"/> Rent / Mortgage Interest <input type="checkbox"/> Utilities <input type="checkbox"/> Other (explain):					
<b>Applicant Ownership</b>					
List all owners of Applicant with greater than 20% ownership stakes. Attach a separate sheet if necessary.					
<b>Owner Name</b>	<b>Title</b>	<b>Ownership %</b>	<b>TIN (EIN,SSN)</b>	<b>Address</b>	

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# Closing

1. Available Documents:
  - *Presentation Links*
  - *Paycheck Protection Info Sheet*
2. Feedback
3. For additional info: [www.monotelo.com](http://www.monotelo.com)