

Updates and Q&A for Employers: COVID-19



CARES Act Proposed Changes



The Senate passed the CARES ACT 96-0.
Next step is to the House, then to the
President for signature hopefully by this
weekend.



Economic Injury Disaster Loan Program (EIDL)

The historical disaster loan

- This process unfortunately has been grounded to a halt. The website went down on Wednesday and although it is finally back up all of the electronic processing of the documents is no longer available on the site. It is now forced to pdf forms.
- Application is made directly to SBA
- No personal guarantee if loan amount is less than \$200k.
- Working capital loans of up to \$2M.
- May be approved on credit score alone.



Paycheck Protection Loan

Provision of the proposed CARES ACT (Proposed)

- Administered by SBA preferred commercial lenders in the same manner as the traditional SBA 7(a)-So your local SBA Lenders
- No guarantee by borrower/ no collateral needed
- No fee to borrower
- May qualify for forgiveness
- Amount not forgiven payable over 10 years – interest rate shall not exceed 4%



WHO QUALIFIES

- For Profit business even if self-employed
- Private Non-profit
- Public Non-Profit
- Businesses with 500 employees or less including full-time, part-time, or other basis



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WHO QUALIFIES

Businesses with more than 500 employees as long as:

- No physical location has more than 500 employees and NAICS
- Code beginning with number 72 – Accommodation and Food Services
- Restaurants and other eating facilities
- Drinking places
- Special Food Services
- Traveler Accommodations i.e. Hotels and Motels



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WHAT CAN THE LOAN BE USED FOR?

- The loans may be used for payroll costs, healthcare, rent, utilities, and other debts incurred by the business



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HOW MUCH ARE THE LOANS?

- Loan Amounts will be available based on a formula. The amount available will be the lesser of
 - 1) Average monthly payroll costs during the prior year x 2.5; or
 - 2) \$10 Million

For example, if the employer had an average monthly payroll of \$100,000 over the prior year, it would be eligible of a loan of \$250,000.



CAN THE LOANS BE FORGIVEN?

- The federal government will forgive the loans in an amount equal to the amount of qualifying costs spent during an eight-week period after the origination of the loan.
- These qualifying costs include payroll costs (except of wages above \$100,000 per employee), interest on secured debt obligations, and rent and utilities in place prior to February 2020.



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CAN THE LOANS BE FORGIVEN?

- The amount of the forgiveness for the loans will be reduced if the employer:

Reduces its workforce during the eight-week period compared to prior periods; or

Reduces the salary or wages paid to an employee by more than 25% during the 8-week period (compared to the most recent quarter).



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WHAT'S THE PROCESS

- Paycheck protection loans are fully guaranteed by the federal government through December 31, 2020
- The standard fees under section 7 of the Small Business Act are waived
- The loans are NOT personally guaranteed by the borrower
- Loans will be available immediately through SBA Certified lenders, which includes bank, credit unions, and other financial institutions (this means we don't have to go to only one source like the EIDL Loan process)
- The deadline to apply for paycheck protection loans is June 30, 2020.



EMPLOYEE RETENTION TAX CREDIT

- The CARES Act also provides a new “employee retention tax credit.”
- Not available to employers that receive the small business “paycheck protection” loans discussed above
- The employee retention tax credit provides eligible employers with a refundable payroll tax credit for 50% of the wages paid by employers during the COVID-19 crisis and applies to wages paid between March 13, 2020 and the end of the year



EMPLOYEE RETENTION TAX CREDIT

- This tax credit is available to employers whose:

- 1) Operations were fully or partially suspended due to a COVID-19 related

“shut-down order,” or

- 2) Gross receipts declined by more than 50% when compared to the same quarter in the previous year.



EMPLOYEE RETENTION TAX CREDIT

- The tax credit is provided for the first \$10,000 of compensation (including health benefits) paid to an eligible employee and is based on qualified wages paid to the employee.
- For employers with more than 100 full-time employees, “qualified wages” may include the employer’s contribution to the employees’ health insurance costs but will exclude any amounts that the employer already received a tax credit for under EFMLA or EPSL

