

# Overview of Coronavirus Stimulus Packages

By: Nels Matson

## Three Acts

- Coronavirus Preparedness and Response Supplemental Appropriations Act
  - Signed into law on March 6<sup>th</sup>
  - Provides \$8.3 billion in emergency funding for federal agencies to respond to coronavirus.
  - \$7 billion in disaster loans to small businesses offered by SBA.
- Families First Coronavirus Response Act
  - Signed into law on March 18<sup>th</sup>
  - Designed to provide assistance to employees and households affected by Covid 19.

## Three Acts Continued

- Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
  - Signed into law March 27th
  - Contains many elements to aid small businesses survive and recover from outbreak. Among these are:
    - Small Business Paycheck Protection Program (PPP)
    - Business Tax Provisions
    - Payments for Individuals
    - Unemployment Assistance

## Loans and Credits in the Three Acts for Immediate Use

- Small Business Loans
  - Federal Disaster Loans – Emergency EIDL
  - Small Business Paycheck Protection Program (PPP) (7a Loans)
- Employer Tax Credits
- Paid Sick and Family Leave Credits

# Emergency EIDL – 7(b)(2) Loan Program

- What is it?
  - An SBA loan for disaster relief that was initially funded in the first Act, with additional funds and clarification placed into the CARES Act.
- Who is eligible?
  - Businesses with fewer than 500 full time equivalent employees.
- What is the maximum loan amount?
  - Limited to economic injury which is determined by SBA
  - \$2 million.

## Emergency EIDL – 7(b)(2) Loan Program - Continued

- How can the proceeds be used?
  - For working capital, which is more versatile than 7(a) loans.
- Interest Rates and Terms
  - Maximum of 3.75% for profit and 2.75% non-profit.
  - Term of up to 30 years.
- Is collateral required
  - Change in the CARES Act increased collateral or business owner guarantee from \$25k to \$200k.
- Where is the application process?
  - On the SBA website.

## Emergency EIDL – 7(b)(2) Loan Program - Continued

- Advance Option
  - Advance of \$10,000 may be paid (limited to \$1,000 per employee).
  - Allowed same uses as loan.
  - Repayment not required even if loan application is denied.

# Paycheck Protection Program (PPP) (SBA 7a Loan)

- What is it?
  - An SBA loan with a streamlined process in which all, or portions, may be forgiven under a loan forgiveness program.
- Who is Eligible
  - Business with fewer than 500 full time equivalent employees.
  - Sole proprietors.
  - Businesses with NAIC code beginning with 72 (Food Services & Accommodation) with less than 500 employees per location.
  - Franchise that is assigned a franchise ID code by the SBA.
  - In operation before Feb 15, 2020.
  - Had employees or independent contractors who were paid.
  - Businesses in which economic conditions make request necessary.

# Paycheck Protection Program (PPP) (SBA 7a Loan)

- What types of entities can apply?
  - 501(c)3 non-profit organizations.
  - Veterans organization.
  - Tribal business concerns.
  - Sole proprietors
  - Partnerships
  - Corporations
  - S Corporations
  - Limited Liability Companies

# Paycheck Protection Program (PPP) (SBA 7a Loan)

- What is the maximum borrowing amount?
  - Lesser of \$10 million dollars or
  - 2.5 times average monthly payroll costs incurred during the year before the loan (alternative calculation for seasonal employer) and amount taken for EIDL loan mentioned earlier.
- Application with private lender qualified by the SBA.

# SBA 7a (PPP) Loan Forgiveness

- The following are forgiven in the 8 week period following the origination of the loan:
  - Payroll costs.
  - Interest on covered mortgage obligations.
  - Rent on covered lease obligations.
  - Covered utility payments.
- Loan forgiveness can be reduced by
  - A reduction of 25% in employees salaries, with annualized salaries under \$100k, of 25% compared to the most recent full quarter.
  - A reduction in number of full time equivalent employees.
  - No reduction in forgiveness if salaries are increased or employment is restored by June 30, 2020.

## SBA 7a (PPP) Loan Forgiveness

- What documentation is necessary to provide lender for forgiveness?
  - Payroll tax filings to verify number of employees and pay rates.
  - Cancelled checks and receipts verifying payments of mortgage payments, rent, and utility payments.
- Forgiveness of SBA 7a (PPP) loan is not taxable.

# Employee Retention Credit under CARES Act

- What is the Employee Retention Credit?
  - Employer can take a credit against employment taxes up to 50% of qualified wages paid to each employee up to \$10,000 per employee.
  - Business must have been in operation during 2020.
- What periods does credit cover?
  - Begins the first quarter where gross receipts fell 50% below previous year quarter.
  - Ends when gross receipts reach 80% of previous year quarter.
- Credit disallowed if taking the SBA 7a (PPP) loan or if taking credits for paid sick or paid family and medical leave.

# Tax Credit for Paid Sick Leave and Family and Medical Leave

- What is this credit for Paid Sick Leave?
  - Credit is for 100% of qualified sick leave wages taken between April 1<sup>st</sup> and December 31, 2020.
  - Credit can't exceed \$200 per day per individual limited to 10 days.
  - For those with Covid 19 or experiencing symptoms, credit is \$511 per day.
- What is credit for Paid Family and Medical Leave?
  - Credit is for 100% of qualified family leave wages taken between April 1<sup>st</sup> and December 31, 2020.
  - Credit is limited to \$200 per day per individual limited to 10 days.

## Other Items to Consider for Individual Cash Flow

- Individual Stimulus Payments
  - \$1,200 for individuals, beginning phase out at \$75,000.
  - \$2,400 for MFJ, beginning phase out at \$150,000.
  - \$500 per child.
- Unemployment Provision
  - Expands unemployment to self-employed individuals or those without sufficient work history to qualify under state law.
  - Those who currently qualify for unemployment under state law may qualify for an additional \$600 per week.

## Upcoming Topics of Discussion

- Temporary Repeal of Net Operating Loss Limitation
- Interest Deduction
- Bonus Depreciation
- 401(k) & 403(b) withdrawals
- Charitable Contributions
- Expanded discussion of loan forgiveness
- And more...depending on your interest.

**If you have any questions, please  
contact the Kerkering Barberio team  
at 941-365-4617**

Thank You!