**(CARES) Coronavirus Aid, Relief, and Economic Security Act**

April 17, 2020

On March 27, 2020, the CARES Act was signed into law. Below is compiled information from the CARES Act that we thought would be helpful. *This is for informational purposes only and advise that you discuss with your legal and financial representatives before taking any action.*

**FOR BUSINESS OWNERS**

**FFCRA (Families First Coronavirus Response Act):**

* Certain employers (up to 500 employees) are required to provide their employees with paid sick leave or expanded family and medical leave.
  + Two weeks of paid sick leave at the employee’s regular rate of pay where the employee is unable to work because the employee is quarantined (pursuant to Federal, State, or local government order) and/or experiencing symptoms and seeking a diagnosis.
  + Two weeks of paid sick leave at 2/3 of the employee’s regular rate of pay because the employee is unable to work due to a need to care for an individual subject to quarantine, or to care for a child whose school is closed or unavailable for reasons related to COVID19.
  + Up to an additional 10 weeks of paid expanded family and medical leave at 2/3 the employee’s regular rate of pay where an employee who has been employed for at least 30 calendar days is unable to work due to a bona fide need for leave to care for a child whose school or child care provider is closed or unavailable for reasons related to COVID19.
* Covered employers qualify for dollar-for-dollar reimbursement through tax credits for all qualifying wages paid under the FFCRA. Qualifying wages are those paid to an employee who takes leave under the Act for a qualifying reason. Tax credits also extend to amounts paid or incurred to maintain health insurance coverage.

**Payroll Taxes:**

* The CARES Act defers the payment of payroll taxes. Payroll taxes due from the period beginning on the date the CARES Act is signed through December 31, 2020 are deferred. Half of the deferred payroll taxes are due on December 31, 2021, with the remainder due on December 31, 2022.

**Net Operating Losses:**

* The CARES Act allows for a five‐year carryback of net operating losses (NOL) arising in 2018, 2019 or 2020 by a business. Businesses can amend or modify tax returns for tax years dating back to 2013. The CARES Act also eliminates the limitation rules applicable to sole proprietors and pass-through entities allowing them to take advantage of the NOL carryback.

**Small Business Owners:**

* There are two types of loan programs available.

1. The first is the Paycheck Protection Program (PPP). PPP loans will be issued by banks and credit unions and are guaranteed by the Small Business Administration (SBA). These loans are available to all businesses, including non-profits, veterans’ organizations, Tribal businesses, sole proprietorships, self-employed individuals, and independent contractors with 500 or fewer employees. Businesses in certain industries can have more than 500 employees if they meet applicable SBA employee-based size standards for those industries. The maximum loan size for borrowers is capped at the lesser of 2.5 times the average monthly payroll costs (with a look-back of one year or relevant period for seasonal businesses), or $10 million. No personal guarantees or collateral are required. Proceeds may be used for payroll, group health benefits, salary and employee commissions, interest on mortgages, rent, utilities, and interest on debt incurred before February 15, 2020.

2. The second program available is the SBA’s Economic Injury Disaster Loan (EIDL) program. Borrowers may apply directly to the SBA for EIDLs (https://covid19relief.sba.gov/#/). The EIDL program is designed for businesses impacted by COVID-19 and allows for the borrowing of up to $2MM @ 3.75% for for-profit, and 2.75% for non-profit entities, over 30 years. You should discuss with your banker or financial advisors if an EIDL loan or a PPP loan is best suited for your individual situation.

* Per the most recent SBA guidance, the PPP program features provisions for loan forgiveness. Borrowers will owe money when their loan is due if the loan amount is used for anything other than payroll costs, mortgage interest, rent, and utilities payments over the 8 weeks after getting the loan. Borrowers will also owe money if they do not maintain staff and payroll.
  + Number of Staff: The loan forgiveness will be reduced if you decrease your full-time employee headcount.
  + Level of Payroll: The loan forgiveness will also be reduced if salaries and wages are decreased by more than 25% for any employee that earned less than $100,000 annualized in 2019.
  + Re-Hiring: Borrowers have until June 30, 2020, to restore their full-time employment and salary levels for any changes made between February 15, 2020, and April 26, 2020.

**FOR INDIVIDUALS AND FAMILIES**

**Direct Payment from Stimulus package:**

* Individuals with 2019 income under the threshold of $75,000 and $150,000 for married couples filing jointly, can receive a check for $1,200 per individual.
* May receive an extra $500 per child.
* After the $150,000 threshold your benefit will be reduced by $5 for ever additional $100 of income.
* For most, there is nothing you need to do to receive the check. If you qualify, you will receive the check the same way you would receive your tax refund from the previous year.

**Tax Relief:**

* On March 18, 2020, the Department of the Treasury and the IRS issued a notice which postponed the due date for federal income tax payments from April 15, 2020 to July 15, 2020. However, this may not apply to all state and local tax return guidelines, so we encourage you to speak with a tax professional.
* The 10% penalty may be waived on withdrawals up to $100,000 from qualified retirement plans (401k, 403b, IRA, Roth IRA) prior to age 59 ½. This applies to an individual (or spouse of an individual) diagnosed with COVID-19 with a CDC approved test or to an individual who experiences adverse financial consequences as a result of quarantine, business closure, layoff, or reduced hours due to the virus. Note: any distribution taken for these reasons are subject to tax over a 3-year period and taxpayers may recontribute the withdrawn amounts to a qualified retirement plan without regard to annual caps on contributions if made within those 3 years.

**Student Loans:**

* Student loan borrowers could suspend required payments on Federal student loans through September 30, 2020. During this period, no interest will accrue on this debt. Consequently, while required payments are suspended, voluntary payments are not prohibited. By default, payments will continue unless individuals take proactive measures to contact their loan provider and pause payments. Also notable is that this period will continue to count towards any loan forgiveness programs. To see if you qualify for forgiveness of your Federal student debt, you should review the Public Service Loan Forgiveness program for your specific circumstances.

**For Those Recently Laid Off:**

* Individuals who have been laid off, furloughed, or have experienced a reduction in work hours may qualify for unemployment (or partial unemployment) insurance. Unemployment insurance is administered by your state and so we encourage you to check your state’s website to learn how to apply. We encourage you to apply as early as possible. Some states have a required wait period, but we have seen some of those periods waived.
* Normal state benefits may have now been expanded by 13 weeks; that is from 26 weeks to 39 weeks. In addition to normal state benefits, you will be entitled to an additional $600 per week up to four months, ending July 31st.
* Filing with your state should start the weekly $600 benefit.
* Unemployment benefits will need to be reported on your federal and state tax returns. Be on the lookout for IRS Form 1099‐G which will show unemployment compensation in addition to other refunds, credits, or offsets.
* If you work for a nonprofit, you may be eligible for your state’s unemployment benefits in addition to the $600 weekly unemployment compensation supplement. Previously, unemployment benefits for nonprofits’ employees needed to be reimbursed by the nonprofit to the state, but right now the federal government is paying 50% of the reimbursement.
* For self-employed individuals, you may now qualify for unemployment benefits. Self‐employed individuals may be covered depending on their ability to show recent earnings. Previously, you were likely not covered by your state’s unemployment benefits because you did not pay into the unemployment compensation system. Under the new stimulus package, there is the Pandemic Unemployment Assistance program which may now cover you. This will give you $600 per week in benefits in addition to the state benefit.
* Self‐employed workers who did not have recent earnings could be eligible for Job Entrant compensation which is $300 per week instead of $600 per week.