



Public

Business Owners Coronavirus Relief Call

Hosted by James Jack

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Business Owner Coronavirus Relief Programs At A Glance

Economic Injury Disaster Loans (EIDL)

- Up to \$2 million in loan amount
- Up to 30 years maturity
- 2.75% for non profits
- 3.75% for small businesses
- Does require credit underwriting, collateral and personal guarantee
- Non-forgivable loan
- One time \$10,000 emergency grant at time of application available

Paycheck Protection Program (PPP) – up to \$350bn

- For small businesses, nonprofits, sole proprietors and independent contractors with up to 500 employees (with limited exceptions)
- Loan amount is the lesser of (a) \$10 million or (b) 2.5 x average monthly payroll + an EIDL
- Up to 2 years maturity at 0.5% interest rate
- No standard credit underwriting, collateral and personal guarantee
- Forgivable loans if you maintain payroll and wages; reduction in any forgiveness in relation to any reductions in payroll or wages
- **Meant to cover the next 8 weeks of allowable costs, but must maintain payroll levels and wages through June 30, 2020**

Loans For Larger Businesses – up to \$500bn

- A program with wide discretion given to the Secretary of the Treasury to determine businesses that are eligible for the benefit
- Program includes loans, guarantees or even investments
- Non-forgivable loans up to 5 years
- Terms, rates, and other criteria to be determined
- Maintain 90% of late-March payroll through September 30, 2020
- Limits on compensation above \$425,000, stock buybacks, dividends and capital distributions while the loan is outstanding plus 1 year
- Mid-size businesses 500 - 10,000 employees: rates up to 2% but also additional restrictions regarding collective bargaining and outsourced labor while the loan is outstanding plus 2 years
 - Additional requirement to remain neutral on union organizing efforts while the loan is outstanding

Tax Credits and Deferrals

- The federal tax return **filing and payment** deadlines are now July 15, 2020
- Existing SBA loan payments can be deferred for up to 6 months
- Delays of payment of Employer Payroll Taxes to 2021 and 2022
 - Taxpayers that had indebtedness forgiven under the PPP are excluded from this benefit
- Changes to Net Operating Loss Rules to use losses in 2019 and 2020 against past profits to claim refunds
- Increases to the amount of interest expense businesses may deduct from 30% to 50% for 2019 and 2020
- An employee retention tax credit of 50% up to \$10,000 per employee on wages paid 3/13-12/31/2020 for COVID-19 impacted businesses



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As of 3/31/2020. Rules and regulations are not yet finalized and subject to change.

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Paycheck Protection Program Quick Guide: Payroll and Loan Forgiveness

****Forgivable loans are for 8 weeks from origination, but employment retention is through June 30, 2020****

Loan size the lesser of \$10m or 2.5x Average Monthly¹ Payroll + EIDL²

To calculate monthly payroll, include these...

For business owners with employees:

- salary, wage, commission, or similar compensation
- payment of cash tip or equivalent
- payment for vacation, parental, family, medical, or sick leave
- allowance for dismissal or separation
- payment required for the provisions of group health care benefits, including insurance premiums
- payment of any retirement benefit
- payment of state or local tax assessed on employee compensation

For independent contractors or sole proprietors:

- wage, commission, income, net earnings from self-employment, or similar compensation and that is in an amount that is not more than \$100,000 in one year, as pro-rated for the Covered Period

...and exclude these

- the portion of compensation of an individual employee in excess of an annual salary of \$100,000, as prorated for the Covered Period
- taxes for payroll, railroad retirement and income
- compensation of an employee whose principal place of residence is outside of the United States
- qualified sick and family leave wages for which a credit is allowed due to the Families First Coronavirus Response Act

- The **Covered Period** begins on February 15, 2020 and ends on June 30, 2020
- Apply no later than June 30, 2020

What can be forgiven?

Forgive these costs...

- payroll costs (*see left*)
- costs that were established before February 15, 2020
 - mortgage interest obligation
 - rent on a leasing agreement
 - utilities: electricity, gas, water, transportation, phone or internet
- additional wages paid to tipped employees
- *Note: any loan forgiveness is not to exceed the loan principal*

...for **8 Weeks** from loan origination

How could forgiveness be reduced? What if I re-hire?

Based on Employees...

X Average Monthly Full Time Equivalents (FTEs) for the 8 weeks

Based on business type:

- Established: Average FTEs 2/15 - 6/30/2019
- New: Average FTEs 1/1 - 2/29/2020
- Seasonal: Average FTEs 2/15 - 6/30/2019

..and Based on Salaries

- For any employee who did not earn during any pay period in 2019 wages at an annualized rate more than \$100,000, the amount of any reduction in wages that is **greater than 25%** compared to their most recent full quarter.

Reductions in employment or wages that occur between February 15, 2020, and April 26, 2020 shall not reduce forgiveness if by June 30, 2020 the borrower eliminates the reductions by re-hiring employees or restoring wages

Re-Hires



¹ The average monthly periods are as described in the "how could forgiveness be reduced" section except for established companies which is for the full year prior to the loan origination
² EIDL = Economic Injury Disaster Loan's outstanding balance that was originated from January 31, 2020 and that is being refinanced
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Thank You
and Be Well

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