



# **CORONAVIRUS AID, RELIEF AND ECONOMIC SECURITY (CARES) ACT**

## **HOW THE PAYCHECK PROTECTION PROGRAM (PPP) CAN HELP YOUR BUSINESS**

# OUR SPEAKERS



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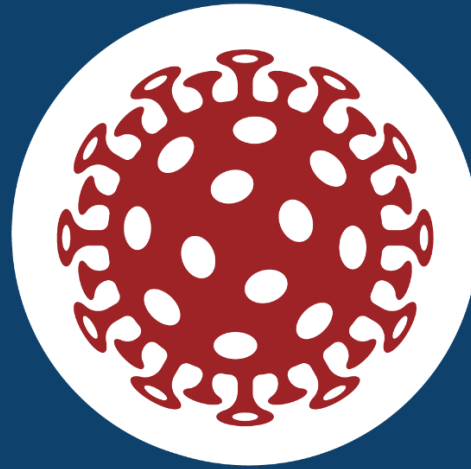
**BUKATY**  
COMPANIES  
*Expertise you experience\**

# AGENDA

- **Overview of CARES Act provisions**
- **Programs to help individuals**
  - Individual stimulus payments
  - Unemployment benefits
  - Access to retirement funds
- **Programs to help businesses**
  - FICA deferral
  - Employee retention credit
  - Paycheck Protection Program
  - Coronavirus Economic Stabilization Act

## BUKATY VALUES





**CARES ACT**

# CARES ACT

- Signed into law March 27
- \$2.2 trillion assistance for businesses, individuals, federal agencies, and state and local governments
- Designed to activate the economy in response to today's **COVID-19** crisis





# **INDIVIDUAL STIMULUS PAYMENTS**

# INDIVIDUAL STIMULUS PAYMENT

- **Payments made to eligible taxpayers**
  - **Single - up to \$1,200 (for those earning < \$75,000)**
  - **Married filing jointly – up to \$2,400 (for couples earning < \$150,000)**
  - **\$500 per child under 17**
- **Payments unavailable for higher income households**
  - **Single - \$99K and above**
  - **Married filing jointly - \$198k and above**
- **Payments based on information from 2018 or 2019 tax returns**
- **No application process, payment will be direct deposited**
- **Payments are not subject to income taxes**
- **Expected April 17**

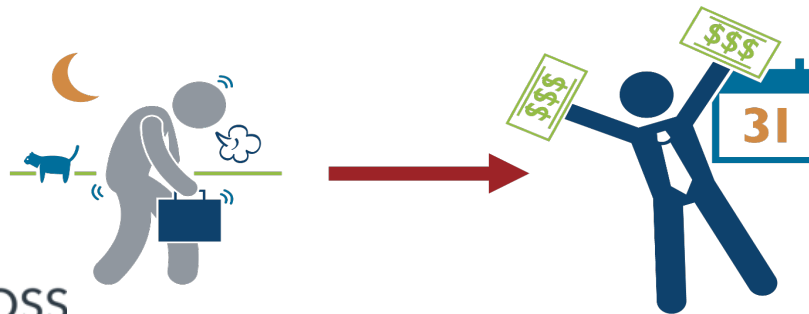


# UNEMPLOYMENT BENEFITS



# UNEMPLOYMENT BENEFITS

- **\$260 billion** pumped into the unemployment system
- **Expanded unemployment categories**
- **Additional \$600 per week** on top of state unemployment benefit payment
- **Program expanded from 26 to 39 weeks**
- **Provides exceptions for “search for work requirement”**





# RETIREMENT FUNDS ACCESS

# RETIREMENT FUNDS ACCESS

- **10% early withdrawal penalty waived on qualified retirement account withdrawals up to \$100,000**
- **Income attributable to the distribution can be spread over a 3-year tax period**
- **Option to repay the funds during a 3-year period to avoid taxes on distribution**
- **Account holder qualifications**
  - **Individual, spouse or dependent diagnosed with COVID-19**
  - **Individual experiences adverse financial consequences related to COVID-19**
  - **Individual unable to work due to school or child care closing related to COVID-19**
- **Option for retirement plan loan up to \$100k**



**FICA DEFERRAL**

# FICA DEFERRAL

- For employers not participating in the Paycheck Protection Program
- Employers can defer 100% of social security taxes for amounts due March 27 – December 31, 2020
- 50% of deferred amount is due December 31, 2021
- The remaining 50% is due December 31, 2022



# EMPLOYEE RETENTION CREDIT

# EMPLOYEE RETENTION CREDIT

- For employers not participating in the Paycheck Protection Program, and suspended operations due to **COVID-19** or have **50%+** decline in gross receipts
- Eligible for \$5,000 credit representing 50% of the first \$10,000 of wages paid in 2020 for "eligible employee"
- Credit can be taken against current employment tax liability
- Special rules for "eligible employees" depending on size of employer



**PAYCHECK  
PROTECTION  
PROGRAM**



# PAYCHECK PROTECTION PROGRAM

- **\$349 billion in SBA loans fully guaranteed by the federal government. Up to \$10 million per eligible recipient**
- **Up to 100% forgivable**
- **Many traditional SBA application requirements (personal guarantee, collateral, credit check) are eliminated**
- **Most businesses under 500 employees are eligible**
  - **For-profit companies**
  - **501(c)(3) nonprofits**
  - **Veteran and tribal organizations**
  - **Sole proprietors and independent contractors**
  - **Hospitality and dining businesses are measured by employees per location**

# PAYCHECK PROTECTION PROGRAM

- **Loan amount is the lesser of**
  - 2.5 times average monthly payroll in the 12-month period prior to the date of loan, or
  - \$10 million
- **Covered payroll costs include (up to \$100K per employee)**
  - Salary
  - Wages
  - Health benefits
  - Retirement contributions
  - State and local payroll taxes

# PAYCHECK PROTECTION PROGRAM

- **Loan application process**
  - **Loans administered through a network of banks, credit unions and other financial institutions**
  - **Important to start process now given demand for funds**
  - **Streamlined application process**
  - **Applicant must make certain certifications under penalty of perjury**
  - **SBA has released a sample application, but each bank will have its own and the application process will not be uniform**
  - **Ensure you take proper corporate action to approve application and acceptance of loan**



# PAYCHECK PROTECTION PROGRAM

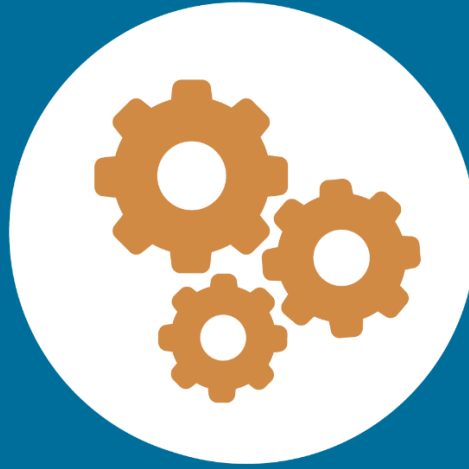
- **How funds must be used**
  - **Payroll (75%)**
  - **Rent**
  - **Interest on mortgage (real or personal property)**
  - **Utilities**
  - **Interest on business loans existing as of Feb. 15, 2020**
- **Amounts spent on bullets 1-4 are eligible for 100% forgiveness**

# PAYCHECK PROTECTION PROGRAM

- **Loan forgiveness**
  - Forgiveness is based on a formula that looks at reductions in headcount and payroll during 8-week covered period as compared to baseline
  - Reductions that occurred between February 15 and April 26 may be cured by restoring to baseline level by June 30
  - Amounts that are not forgiven are deferred for 6 months
  - Two-year maturity with 1% interest

# PAYCHECK PROTECTION PROGRAM

- **Example**
  - **Loan is received May 1 for \$4 million**
  - **8-week period ends June 26**
  - **Baseline headcount is 300 employees**
  - **Lender receives documentation of eligible expenses**
  - **Headcount after 8 weeks is 300 employees and no salaries have been reduced**
  - **\$4 million (100% of loan) will be forgiven**



# **CORONAVIRUS ECONOMIC STABILIZATION ACT**

# ECONOMIC STABILIZATION ACT

- **For businesses with 500 – 10,000 employees**
  - **Domiciled in U.S.**
  - **Significant U.S. operations**
  - **Majority of employees are U.S. based**
  - **For profit and non-profit businesses**
- **Direct lending from private banks**
  - **Guaranteed by federal government at 2% interest or less with no payments for 6 months**
- **Commit to restore 90% of employees as of February 1, 2020 within 4 months following end of emergency declaration**



# ECONOMIC STABILIZATION ACT

- **Retain 90% of pre-crisis workforce, including comp + benefits through September 30, 2020**
- **Restrictions on offshoring, outsourcing and executive comp provisions for 2 years**





**CONSIDERATIONS**

# CONSIDERATIONS

- Which option makes the most sense for your business with fewer than 500 employees?
- Should you rehire formerly laid off employees to maximize loan forgiveness?
- The relationship of FFCRA with CARES Act



# FAQS

# QUESTIONS



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**Thank you for your attention**  
*Expertise you experience*