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

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March 27, 2020, The Coronavirus Aid, Relief, and Economic Security Act, also known as (H.R. 748, “CARES Act”) was signed into law by President Donald Trump to address the economic fallout of the 2020 coronavirus pandemic in the United States.

The (CARES) Act was designed to pump $2 trillion into the U.S. economy to help millions of American workers and businesses. This is the largest economic relief bill in modern history, which includes direct payments to individuals, an expansion of unemployment insurance, and significant aid to large and small businesses.

Many people have questions about how the new law impacts their families and businesses.
Where $2 Trillion in U.S. Rescue Funds Will Go

- **$532B**: Big business, local government loans & financial assistance
- **$61B**: Specific to airlines
- **$377B**: Small business loans & grants
- **$290B**: Direct payments to families (est.)
- **$290B**: Tax cuts
- **$126B**: Hospital restitution, veteran & other health care
- **$31B**: Education stabilization
- **$27B**: Vaccines, stockpiles
- **$25B**: Infrastructure
- **$150B**: State and local stimulus funds
- **$131B**: Other
- **$45B**: FEMA
- **$385B**: Miscellaneous

Source: U.S. Senate, Committee for a Responsible Federal Budget, Bloomberg research
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Individual Stimulus Payment

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Individual Stimulus Payment

$290B of stimulus payments will be sent directly to individuals and families

- All U.S. residents with adjusted gross income (AGI) up to $75,000 are eligible for the full $1,200 ($2,400 married couples);
- In addition, they are eligible for an additional $500 per child under age 17.
- If you’re filing head of household, the income limit is $112,500 and for married couples it’s $150,000
- Benefits are reduced by $5 for every $100 of income above the category ceilings
- Individuals with AGI above $99,000 will NOT receive payment
- Must have a Social Security number to be eligible for a payment, which will not be taxed.

How will the IRS calculate my income?
- If you have filed a 2019 tax return, the IRS will use the return income, marital status and dependents. If you have not filed your 2019 taxes, the IRS will use data from last year’s filings. Stimulus Check Calculator: https://www.hrblock.com/coronavirus-tax-impact/calculator/
Tax Rebate Amounts by Filing Status and Income

- Married, two children ($3,400 rebate)
- Married, one child ($2,900)
- Married, no children ($2,400)
- Single ($1,200)

Sources: Tax Foundation analysis, CARES Act
Unemployment Insurance Provision
$260B Expanded Unemployment Insurance for Workers

Under the Federal Pandemic Unemployment Compensation (“FPUC”) Act, individuals who are eligible for unemployment benefits will receive –

- A $600 per week increase in benefits for up to four months [Unemployment between April 15, 2020 and July 31, 2020]
- 13-week extension of unemployment insurance
- Unemployment benefits up to a maximum of 39 weeks [regular benefits capped at 26 weeks]
- Eligible: Employees, freelancers, gig economy workers, and self-employed

https://www.dol.gov/general/topic/unemployment-insurance
Small Business

The (CARES) Act will pump $350 billion into U.S. Small Business Administration loans known as the Paycheck Protection Program. Prior to passage of this stimulus bill, Congress passed the Families First Coronavirus Response Act (FFCRA) which was enacted to provide sick leave, expanded family and medical leave, and unemployment insurance to workers for specified reasons related to COVID-19.
Small Business Definition

A small business is defined by the SBA either based on its average number of employees or average annual receipts.

TRADITIONAL INDUSTRY SIZE MAX (per North American Industry Classification System NAICS) to qualify as a small business entity:

- Manufacturing companies with 500 employees or fewer
- Wholesale companies with 100 employees or fewer
- Retail or Service companies with average annual receipts under $7 million
- You can look up whether your particular business is considered small, according to the SBA at this link: https://www.sba.gov/size-standards/
Paycheck Protection Program

Be ware of predatory lenders!
https://bit.ly/2Jt05J1
$350 Billion Allocated to the Program

- **Who is Eligible?**
  - Small employers with 500 employees or fewer
  - Must meet the current Small Business Administration (SBA) size standards
  - Self-employed individuals, sole proprietors and “gig economy” individuals; and
  - Certain nonprofits, including 501(c)(3) organizations and 501(c)(19) veteran organizations, and tribal business concerns with under 500 employees
  - Company must have been operational no later than February 15, 2020
  - **Covered loan period begins on February 15, 2020 and ends on June 30, 2020**

- **How Much Are the Loans?**
  - Loans can be up to 250% of an employer’s average monthly payroll during the covered four month period. The maximum loan amount would be **$10 million**
How Is Payroll Calculated For Purposes Of These Loans?

Under the program, payroll costs include:

- Salary, wages, and payment of cash tips (up to an annual rate of pay of $100,000);
- Employee group health care benefits, including insurance premiums; retirement contributions; and covered leave.

Do I Need Collateral or Good Credit?

- No – the government is offering a 100 percent guarantee on these loans through Dec. 31, 2020. No collateral is required.

The legislation requires lenders to determine whether a business was operational on February 15, 2020 and had employees for whom it paid salaries and payroll taxes, or a paid independent contractor.
Do I Have To Repay The Loan In Full?

You are eligible for loan forgiveness in the following ways:

• Funds spent during an 8-week covered period after the origination date of your loan on payroll costs;
  – Mortgage and Interest payments
  – Rent or lease payments
  – Utilities

– You will owe money when your loan is due if you use the loan for anything other than the items listed above over the 8 weeks after getting the loan

– It is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs

– You will also owe money if you do not maintain your staff and payroll.

– Any portion of the loan that isn’t forgiven becomes a term loan at 1% interest amortized over 2 years
Paycheck Protection Program

- **Loan Forgiveness**
  1. Proceeds used for approved purposes
  2. Percentage of the loan that is forgivable is equal to=
     
     Average number of FTEs during the Covered Period
     
     Divided By
     
     Average number of FTE from January 1, 2020 to February 29, 2020

  3. **Example Purposes**: You have 5 FTE eligible employees employed from April 1 through May 30 and

  4. You had 10 FTEs eligible employees employed in January and February. You would be eligible for a 50% forgiveness of the loan.
What Cost are Not eligible for payroll?

- Employee/owner compensation over $100,000
- Taxes imposed or withheld under chapters 21, 22, and 24 of the IRS code
- Compensation of employees whose principal residence outside of the U.S.
- Qualified sick and family leave for which a credit is allowed under sections 7001 and 7003 of the *Families First Coronavirus Response Act*. 

Please work with your Tax Account

mshannon@connectusww.com

www.connectusww.com
What Do The Loan Costs?

- The cost of participation in the program would be reduced for small businesses through fee waivers,
- An automatic deferment of payments for at least 6 – 12 months
- No prepayment penalties
- Any loan amounts not forgiven are carried forward as an ongoing loan with terms of a max of 10 years, at max 4% interest.
- The 100% loan guarantee remains intact
- Repayment deferral for one year, including principal and interest
Where Do I Start?

- Loans should start becoming available April 3, through SBA 7(a) certified lenders, banks, or credit unions. Click here for application https://bit.ly/340YJ2e

- U.S. Treasury has just come out with an information sheet for borrowers which also links to the loan application. Click here for info sheet https://bit.ly/2wb7bQc

- Check with your existing lender to see if they will be offering these special Paycheck Protection Loans, if they don’t, SBA will be expediting the process for lenders to get approved and you can request they start that process. https://www.sba.gov/

How Long Will The Process Take?

- SBA and its approved lenders have been directed to streamline the program to make it easier for you to apply and get approved.
How Are Paycheck Protection Loans Different From Economic Injury Disaster Loans?

– The Paycheck Protection Loans are funds you apply for through SBA 7() lenders, banks or credit unions and they provide forgiveness for certain expenses.

– Disaster loans, or Economic Injury Disaster Loans (EIDL) are loans that are administered by SBA directly—meaning you apply with them and not bank or credit union.

– EIDL loans allows an eligible entity who has applied to request and advance on that loan, of not more than $10,000 within three days.
SBA Economic Injury Disaster Loans (EIDL)
Economic Injury Disaster Loan

Eligibility for EIDL
Financial Impact of COVID-19 since Jan. 31, 2020
- Small businesses
- Private non-profit organizations of any size
- Small agricultural cooperatives
- Small aquaculture enterprises

What Can the Loans Be Used For?
- Fixed Debts
- Payroll
- Accounts Payable
- Other Bills due to the virus

Interest Rates
- 3.75 percent for small businesses
- 2.75 percent for private non-profit organizations
- Loan maturity terms up to a maximum of 30 years (determined on a case-by-case).

EIDL Application Deadline
- Deadline to apply is Dec. 21, 2020
- Apply on line https://covid19relief.sba.gov/#/

The SBA is offering low-interest federal disaster loans for working capital to small businesses suffering substantial economic injury as a result of the Coronavirus (COVID-19)

Economic Injury Disaster Loans of up to $2 million to help meet financial obligations and operating expenses which could have been met had the disaster not occurred.

Loans up to $25,000 are unsecured. Any loan request above $25,000 requires collateral

For questions, please contact the SBA disaster assistance customer service center at 1-800-659-2955 (TTY: 1-800-877-8339) or e-mail disastercustomerservice@sba.gov.
Employee Retention Credit for Employers Subject to Closure or Experiencing Economic Hardship

- A refundable payroll tax credit for 50% of wages for certain employees
- Not available to employers receiving assistance through the Paycheck Protection Program
- The credit is provided through December 31, 2020
- Delay of Payment of Employer Payroll Taxes through the end of 2020
- Deferred amounts due in two equal installments at the end of 2021 and end of 2022
- Deferral is not provided to employers receiving assistance through the Paycheck Protection Plan

*Please work with your tax accountant*
Under the Families First Coronavirus Response Act

- It applies to companies with 500 or fewer employees

- Employers must provide employees with paid sick leave and expanded family medical leave for specified reasons related to COVID-19
  - Up to two weeks paid sick leave
  - Up to $511 daily and $5,110 total
  - [https://www.dol.gov/agencies/whd/pandemic](https://www.dol.gov/agencies/whd/pandemic)

- Specified Reasons include employee: subject to quarantine, experiencing COVID-19 symptoms, caring for someone who is quarantine, caring for a child whose school or place of care is closed.
Can Someone Provide More Technical Help?

Yes. Your local Small Business Development Center and a number of other SBA resource partners are great places to start. [https://www.sba.gov/local-assistance](https://www.sba.gov/local-assistance)

- Congress allocated an additional $265 million for grants to SBA resource partners, including Small Business Development Centers and Women’s Business Centers, to offer counseling, training, and related assistance to small businesses affected by COVID-19.

- $10 million would be provided for the Minority Business Development Agency to provide these services through Minority Business Centers and Minority Chambers of Commerce.
LEARN MORE

• Click here for more guidance from SBA
  • https://bit.ly/2w64CPj

• Click here to read the SBA full press release

• Click here for guidance from Treasury on the Paycheck Protection Program (Borrower information sheet)
  • https://bit.ly/2wb7bQc

• Click here to download the application you will submit to an SBA-approved lender (PPP loan)
I hope you found this helpful
Reach out to resources for support

Mary Shannon
Founder, Connectus Worldwide, LLC
Leadership Council Member, National Small Business Association, Washington, D.C.

“Every challenge, every adversity, contains within it the seeds of opportunities and growth” – Roy Bennett