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**Coronavirus, Aid, Relief and Economic Security Act
Summary of Options Available to Small Businesses
As of March 31, 2020**

Here's a summary of what I have learned related to the CARES Act provisions related to small business assistance. There is a lot to the various acts that have been signed into law. As with any legislation of this magnitude, there will be a time period where the provisions are studied by many experts to figure out exactly what is included. There may also be corrections and interpretations that are issued later. As of March 31, 2020, this is a summary of the options available.

Leave Act according to Families First Coronavirus Response Act

Employers with fewer than 500 employees are obligated to make Emergency Paid Sick leave and Emergency Family and Medical Leave Expansion available to all employees from April 1, 2020 through December 31, 2020 for covered absences related to COVID-19.

This leave act has many provisions but basically obligates the employer to pay for qualified leave for up to 12 weeks for leaves beginning April 1, 2020 or after.

The benefits provided under the Act would need to be covered by the employer up front but the amounts paid out would be recovered over time from the IRS.

Employers with less than 50 employees, can claim an exemption from the coverage when providing the benefit would jeopardize the viability of the small business as a going concern.

If you would like to discuss the provisions of the Act further, please let us know.

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

This is an 883 page Act with many provisions that affect virtually everyone. Many of the provisions are simple and straightforward and/or affect very specific industries. There are many changes but among the more common benefits affecting individuals and small businesses include:

1. Recovery Rebates to be paid in the next few weeks based on your 2019 individual tax returns
 - a. \$1,200 Recovery rebates for nearly all adults in the country except for high paid taxpayers.
 - b. \$500 Recovery rebates for children of qualifying adults
 - c. If you haven't filed your 2019 tax return, they will use your 2018 return.
 - d. If you used direct deposit on your federal tax return, they will send the funds to the account used most recently. If this account has changed, you will need to notify the IRS as soon as possible by going to IRS.gov once the website is ready.
2. 10% Penalty on early withdrawal of qualified retirement plan distributions in 2020 will be waived.

3. An above the line charitable contribution deduction of up to \$300 for the 2020 return
4. Depreciation rule changes for qualified improvement property retroactive to 1/1/18.
5. Temporary suspension of required minimum distributions for 2020.
6. Improved unemployment compensation benefits.
7. Delays of certain payroll tax payments.
8. Many others too numerous to mention here.

The biggest benefit related to small businesses is the forgivable **Paycheck Protection Program Loans** to be offered by the SBA. For businesses affected by COVID-19, the loans require you to make a good faith certification that –

1. *The uncertainty of current economic conditions makes the loan proceeds necessary to support the ongoing operations of your business;*
2. *The funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments and utility payments;*
3. *You don't have an application pending for a loan under this subsection 7(a) for the same purpose and duplicative amounts applied for or received under a covered loan; and*
4. *During the period beginning on February 15, 2020 and ending on December 31, 2020 that you have not received amounts under this subsection for the same purpose.*

If all of these things apply, the business is eligible to borrow up to the smaller of:

1. \$10,000,000; or
2. Roughly 2.5 times monthly payroll (subject to certain restrictions and provisions). Payroll costs include group health insurance premiums and retirement plan contributions.

Additional provisions of the **Paycheck Protection Program Loans** are as follows:

1. Loan payments will be deferred (including interest) for at least 6 months and up to one year from the origination date,
2. Interest shall not exceed 4%,
3. Loan maturity is 10 years,
4. SBA Guarantees the loan 100% (no collateral is required),
5. There is no prepayment penalty.

Subject to the limits described above, loan proceeds can be used on the following expenses incurred between 2/15/2020 and 06/30/2020:

1. Payroll
2. Mortgage payments
3. Lease payments
4. Utility payments.

Loans are forgivable by the SBA. The forgiveness amount includes the following expenses incurred in an 8-week period between 2/15/2020 and 06/30/2020 as determined by the employer:

1. ***Payroll costs***
2. ***Interest payments on any mortgage loans***
3. ***Rent***
4. ***Utilities***

This forgiveness will be reduced if the number of FTEs decreases (although there are rules to mitigate this reduction if people are rehired by 6/30/20). Forgiveness can also be reduced if employees are paid less than they had been paid in the previous quarter.

If your business has been negatively affected by COVID-19, for many businesses, my recommendation would be as follows:

1. Because of the complexity of the leave act and the fact that it would be extremely difficult to fund for most small employers until it is eventually refunded, documenting an exemption to the leave act would probably be a good idea.
2. If you are already having cash flow issues due to lack of revenue, you can always lay your people off and encourage them to file for unemployment.
 - a. The unemployment benefits available to everyone that qualifies have been dramatically enhanced for the remainder of the year.
 - b. The benefits will most likely be paid to the employees more quickly than your ability to obtain an SBA loan.
 - c. The employee filings will not affect your experience rate with IDWD.
 - d. If you want to call them back to pay them with the Paycheck Protection Program Loans at a later date, it can be done once you know you have the funds and can pay them. If they are rehired prior to June 30, 2020, their absence should not impair the loan forgiveness calculation.
3. Apply for the Paycheck Protection Program Loan as soon as you can. The loan application is completed online. Beyond that, the process is still taking shape and they are devoting as many resource to these loans as possible to make the funds available to employers as soon as they can.

Of course, this bill is just a few business days old and there may be further clarifications and technical corrections to come at a later time. I will do my best to stay abreast of the developments as they occur and keep this document updated as appropriate.

I hope this helps. If you have other questions, please let me know by emailing me at mark@mdcpa.biz.