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Good Afternoon,

We are reaching out to you to provide an update regarding the CARES Act, which was signed into law on Friday night. The Act provides much needed relief for Americans, including individuals, small and large businesses and not-for-profits. The provisions of the Act will impact everyone in one way or other.

Below is a summary of some of the items contained within the act which will impact small businesses and not-for-profits:

Business Loans (SBA 7(a) Loans)

- The act establishes 3 types of loans, which can be applied for to assist businesses during the Covid-19 Pandemic
 - **Paycheck Protection Program (PPP) [Forgivable Loan]**– This is a loan equal to 250% of monthly average payroll costs and is forgivable and non-taxable if used for covered costs (i.e. payroll, rent, utilities) with no reduction in workforce (see details below). This is the most attractive program as the loan does not need to be repaid if used for covered purposes. Additionally, if for any reason any amount is not forgiven, the terms of the non-forgiven portion of the loan are attractive at a maximum term of 10 years and a maximum interest rate of 4%. This loan is administered by the SBA and is currently not available as the SBA is in the process of issuing its final guidance to lenders who are currently working to create the applications for this loan.
 - **Emergency Economic Injury Disaster Loans (EIDL) [Repayable Loan]**– This is a loan that can be based solely upon the applicant's credit score with no personal guarantee required for loans below \$200,000 (see details below). This loan is not forgivable and must be repaid.
 - **SBA Express Loans [Repayable Loan]** – Provides an accelerated turnaround time for SBA loans and increased the maximum loan to \$1,000,000 (see details below). This loan is not forgivable and must be repaid.
- **Paycheck Protection Program (PPP) – Forgivable Loan**
 - The covered loan period is retroactive to February 15, 2020 and goes through June 30, 2020.
 - No collateral or personal guarantee are required.
 - You are eligible if you are/were:
 1. A small business with fewer than 500 employees.
 2. A not-for-profit (501(c)(3)) with fewer than 500 employees.
 3. A sole proprietors and other self-employed individuals
 4. been operational as of February 15, 2020 and had employees for whom it paid salaries and payroll taxes, or a paid independent contractor.
 - How much can you borrow? – The lender will require copies of payroll records with the application. Each lender is different so please check with your lender for the specific documents required. The loan amount is determined based upon:

1. Non-seasonal employer - 2.5x monthly average payroll costs (up to a maximum loan amount of \$10,000,000) during the 1-year period before the date the loan is made. For purposes of determining average monthly payroll costs, eligible payroll does not include pro-rated compensation above \$100,000 per year per employee.
 2. Seasonal Employer – The average monthly payroll for the time period between February 15, 2019 and June 30, 2019, excluding the costs over \$100,000 on an annualized basis for each employee.
 3. New businesses – The average monthly payroll may be calculated using the time period from January 1, 2020 to February 29, 2020, excluding the costs over \$100,000 on an annualized basis for each employee.
 4. For Sole Proprietors, Independent Contractors, and Self-Employed Individuals - The sum of payments of any compensation to or income of a sole proprietor or independent contractor that is a 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.
- Allowable uses of loan funds are for:
 1. payroll costs:
 - Includes: compensation to employees, such as salary, wage, commissions, cash, etc.; paid leave; severance payments; payment for group health benefits, including insurance premiums; retirement benefits; state and local payroll taxes; and compensation to sole proprietors or independent contractors (including commission-based compensation) up to \$100,000 in 1 year, prorated for the covered period;
 - Excludes: individual employee compensation above \$100,000 per year, prorated for the covered period; certain federal taxes; compensation to employees whose principal place of residence is outside of the US; and sick and family leave wages for which credit is allowed under the Families First Act;
 2. rent on a leasing agreement
 3. utilities (electricity, gas, water, telephone, internet)
 4. interest on debt obligations
 5. health insurance premiums and continuation of group health care costs during periods of paid sick, medical or family leave.
 - When can you apply:
 1. Starting April 3, 2020, small businesses and sole proprietorships can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders.
 2. Starting April 10, 2020, independent contractors and self-employed individuals can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders.
 - What you need to apply:
 1. You will need to complete the Paycheck Protection Program loan application and
 2. submit the application with the required documentation to an approved lender that is available to process your application by June 30, 2020.
 3. You will need to provide your lender with payroll documentation.
 - Loan Forgiveness –
 1. A borrower is eligible for loan forgiveness equal to the amount the borrower spent and can document during the 8-week period beginning on the date of the origination of the loan for:
 - Payroll costs
 - Interest mortgage obligation incurred in the ordinary course of business.
 - Rent on a leasing agreement.
 - payment of utilities (electricity, gas, water, telephone, internet).

- For borrowers with tipped employees, additional wages paid to those employees.
- 2. The loan forgiveness may be reduced:
 - If the average number of full-time equivalent employees per month is reduced during the 8-week period after receiving the loan when compared to a prior baseline period. The baseline periods are:
 - Option 1: February 15, 2019 through June 30, 2019 or
 - Option 2: January 1, 2020 through February 29, 2020, as determined by the loan recipient or
 - Seasonal employers – February 15, 2019 to June 30, 2019
 - If the salary of employees is reduced by more than 25% of total salary during the 8-week period after receiving the loan (limited to the pro-rated amount of \$100,000 per employee).
- 3. The loan forgiveness cannot exceed the principal.
- 4. It is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs
- 5. The forgiven loan is not taxable to the recipient.
- 6. If any portion of the loan is not forgiven, the loan period is a maximum of 10 years with a maximum interest rate of 4%.
- 7. Employers are encouraged to rehire any employees who have already been laid off due to Covid-19, borrowers that re-hire workers laid off will not be penalized.
- 8. During the period beginning on February 15, 2020 and ending on December 31, 2020, the applicant cannot receive another loan under this program.
- 9. Using a professional employer organization (PEO) does not impact the way an employer count's total employees for eligibility.
- 10. An eligible employer that receives a Paycheck Protection Loan should not claim Employee Retention Credits.
- **Emergency Economic Injury Disaster Loans (EIDL) – Repayable Loan**
 - The act expands the access to EIDL loans and waives the personal guarantee normally required for any loans below \$200,000.
 - The funds can be utilized for providing paid sick leave to employees unable to work due to the direct effect of Covid-19, maintaining payroll to retain employees during business disruptions or substantial shutdowns, meeting increased costs to obtain materials unavailable from the applicants original source due to interrupted supply chain, repaying obligations that cannot be met due to revenue loss.
 - Allows the SBA to approve the EIDL loan based solely upon the applicant's credit score.
 - Allows an applicant to request an advance on the loan, of not more than \$10,000 through an emergency grant within 3 days.
- **SBA Express Loan – Repayable Loan**
 - Provides an accelerated turnaround time for SBA loans and increases the maximum loan amount from \$350,000 to \$1,000,000 through December 31, 2020.
 - Is eligible as either as a term loan or a line of credit.
 - Once received, the loan can be utilized for various business purposes.

Other Business Provisions

- **Employer Payroll Tax Deferral**

- Employers can defer their portion of the 6.2% social security tax from March 27, 2020 through December 31, 2020.
- The amount will have to be repaid in two installments: 50% will be due December 31, 2021 and the remaining 50% will be due December 31, 2022.
- Employers who received SBA loan forgiveness under the new CARES Act are not eligible for this deferral.
- Self-Employed taxpayers can defer paying 50% of his or her self-employment tax that would be due from the date of enactment through the end of 2020 until the end of 2021 and 2022
- Employee Retention Credit
 - The Act creates an employee retention credit for employers that fully or partially close due to the pandemic.
 - Fully refundable tax credit tied to payment of employees' wages against the employer's share of Social Security Taxes.
 - Eligible Employers are allowed a credit against employment taxes equal to 50% of qualified wages (up to \$10,000 in wages) for each employee.
 - Eligible Employers must satisfy one of two tests:
 - Have business operations fully or partially suspended due to orders from a governmental entity limiting commerce, travel, or group meetings, OR
 - Experience a year-over-year (comparing calendar quarters) reduction in gross receipts of at least 50% - until gross receipts exceed 80% year-over-year.
 - For employers with 100 or fewer employees, all employee wages qualify for the credit whether the employer is open for business or subject to a shutdown due to Covid-19 related circumstances. The credit is provided for the first \$10,000 of compensation (including health benefits), paid to an eligible employee incurred during March 13, 2020 through December 31, 2020.
 - For employers with more than 100 full-time employees, qualified wages are wages paid to employees when they are not providing services due to Covid-19 related circumstances.
 - The credit is effective for wages paid after March 12, 2020 and before January 1, 2021.
 - An eligible employer that receives a Paycheck Protection Loan should not claim Employee Retention Credits.
- Net Operating Losses

The 2017 Tax Cuts and Jobs Act limited taxpayers' ability to fully utilize net operating and business losses. The CARES Act removed many of these provisions:

 - The CARES Act suspends the 80% taxable income limit on claiming Net Operating Losses for tax years 2018, 2019, and 2020.
 - Allows Net Operating Losses arising in 2018, 2019, and 2020 to be carried back 5 years; and
 - Suspends the disallowance of excess business losses if the amount of the loss exceeds \$250,000 (\$500,000 for Married Filing Jointly) for three years, so that the limits would not apply to tax years beginning in 2018, 2019, and 2020.
- Corporate AMT Tax Credit
 - Accelerates the refundability of the Corporate alternative minimum tax (AMT) credit.
- Depreciation - Qualified Improvement Property
 - Retroactive technical correction of the 2017 tax law allowing qualified improvement property (i.e. leasehold improvements) to be categorized as 15-year property eligible for bonus depreciation instead of 39-year property.
 - The effective date of this revision is retroactive to property placed into service after December 31, 2017 now qualifies as 15-year property, eligible for 100% bonus depreciation.