(CARES ACT) – Coronavirus Aid, Relief, and Economic Security Act:

This is the largest governmental stimulus in history, so it is quite likely that you will be affected. We will have another article in our next newsletter with more about this huge legislation.

Individuals:

Recovery Rebate Payments

- $1,200 to Individuals with adjusted gross income levels less than $75,000; phased out from $75,000 to $99,000
- $1,200 for Head of Household with adjusted gross income levels less than $112,500; phased out from $112,500 to $136,500
- $2,400 for Married Couples with adjusted gross income levels less than $150,000; phased out from $150,000 to $198,000
- $500 per Qualifying Child under the age of 17.
- These rebates are based on your most recently filed income tax return for 2018 or 2019
- If below filing threshold, rebates will be based on Social Security or Railroad Benefits received.
- First rounds of payments are expected by April 6th via direct deposit to the account on your tax return.

Student loan payments have been deferred.

Net Operating Losses previously limited have been relaxed significantly.

Net Operating Loss Carrybacks have been reinstated.

No penalties on up to $100,000 of "corona-virus-related" IRA or retirement plan distributions previously subject to the 10% early withdrawal provisions and income taxes on those can be paid over 3 years beginning with 2020 or the distribution can be recontributed to the plan within 3 years to avoid paying taxes.

Required Minimum Distributions have been waived for 2020 and if already processed for 2020, can rollover/roll back into a Qualified Plan, 401k, IRA, 403b plans. Does not apply to Defined Benefit plans. Loosening of loan requirements for 401ks.

Business:

SBA Disaster Recovery Loans – Both types of loans are available as long as the funds are not used for the same purpose.

Economic Injury Disaster Loan (EIDL) – have always been available for disasters; however, this is the first time a virus or pandemic event has been defined as a disaster.

- Submitted direct to SBA to cover payroll, fixed debts, A/P, other expenses that can't be paid because of the disaster's impact.
- Cannot be used to refinance current debt; government expects you to spend the money.
- Can be used for working capital issues
- Loans up to $2 million @ 3.75% cap up to 30 years.
- Not eligible for forgiveness; however, a $10,000 Emergency Cash Grant with no tax consequences to recipient if spent on certain qualifying items, including payroll.
- Relaxed financial information requirements for applicants.
- Can be approved by SBA based solely on applicant's credit score.
- May require personal guarantees if over $200,000.
- More information available at https://www.sba.gov/disaster-assistance/coronavirus-covid-19

Paycheck Protection Program (PPP) –

- Available to small businesses and nonprofits with fewer than 500 employees.
- Application, once released, will be available through June 30, 2020.
- Loan is made through SBA approved 3rd party Lenders –meant to keep people employed.
- For payroll, employee salaries (wages, tips, independent contractors), mortgage payments, interest, rent, utilities, any other debt obligations incurred prior to covered period.
- Loan amount is equal to 2.5 X Business Average Monthly Payroll costs up to $10 million (including group health insurance premiums and retirement benefits).
- Salaries limited to $100,000 per employee.
- Interest rate .5% for first 2 years guaranteed by federal government, originally 4% up to 10 years total. These terms have changed in the last 24 hours, so they may be subject to change again.
- No payments first 6 months.
- Possibility of up to 100% forgiveness with approval depending on expenditures in the 8-week period following the loan. Forgiveness may be limited if payroll is reduced.
- Streamlined process; no personal guarantee or collateral required.
- No fee to apply and no prepayment penalties.
- **The Paycheck Protection Program is new and the application just became available on the SBA website late yesterday afternoon**. https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources#section-header-2

Existing SBA Loans – may have up to 6 months of payments waived.

Other business provisions – more to come:

Net Operating Losses previously limited and Business Losses that were limited have been relaxed significantly.

Net Operating Loss Carrybacks have been reinstated.

Employee Retention Credit - Payroll tax credits for businesses who retain workers

Delay in payroll tax payments

Interest deductibility caps loosened up

Retailers and Restaurants – new depreciation rules for Qualified Improvements.

Leasehold Improvements for all companies – new depreciation rules.