

CARES ACT

BUSINESS TAX PROVISIONS

6.2% SOCIAL SECURITY TAX

Employers & self-employed individuals can **defer payment of the employer share of the Social Security tax** they otherwise are responsible for paying to the federal government with respect to their employees.

RELAXED NOL LIMITATIONS

Limitations on a company's use of losses are relaxed. The provision provides that **an NOL arising in tax years beginning in 2018, 2019, or 2020 can be carried back 5 years**. It also temporarily removes the taxable income limitation to allow an NOL to fully offset income.

ACCELERATED AMT

The ability of companies to recover Alternative Minimum Tax (AMT) credits will be faster, permitting companies to **claim a refund now & obtain additional cash flow** during the COVID-19 emergency.

BUSINESS INTEREST EXPENSE

This provision temporarily increases the amount of interest expense businesses are allowed to deduct on their tax returns **from the 30% limitation to 50% of taxable income**, with adjustments, for 2019 & 2020.

WRITE-OFFS

Businesses, especially in the hospitality industry, are able to **immediately write off costs associated with improving facilities** instead of having to depreciate those improvements over the 39-year life of a building.

CARES ACT

PAYROLL TAX CREDIT

Employers can receive a refundable payroll tax credit for

50% WAGES PAID

to employees during the COVID-19 crisis*

Including health benefits, you can recoup up to

\$10,000/EMPLOYEE

ELIGIBILITY

CLOSED

Your operations were fully or partially suspended, due to a COVID-19 related shut-down order.

OR

INCOME

Your gross receipts declined by more than 50% when compared to the same period in the prior year.

*COVID-19 crisis includes days between March 13 – December 31, 2020

CARES ACT

SMALL BUSINESS RELIEF



\$349B
GRANTS
&
LOANS

PAYCHECK PROTECTION PROGRAM

\$349 billion will be distributed to support forgivable loans. This money is designated for the following small businesses:

- Small employers with under 500 employees
- Those in accommodation & food service industries, franchises & businesses receiving financial assistance under the Small Business Investment Act.
- Self-employed and “gig economy” individuals.
- Certain nonprofits, including 501(c)(3) organizations.
- Certain 501(c)(19) veteran organizations
- Certain Tribal business concerns with under 500 employees.

LOAN AMOUNT & COVERAGE

The size of the loans would equal 250% of an employer’s average monthly payroll. The maximum loan amount would be \$10 million. The borrower may be eligible for loan forgiveness equal to the amount spent during an 8-week period after the origination date on rent, covered payroll expenses, interest on a mortgage, rent/lease payments, and utility payments; not to exceed the principal of the loan. Covered payroll costs include the following:

- Salaries, 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.
- Covered leave.



AMOUNTS
&
COVERAGE

PAYCHECK PROTECTION PROGRAM

Forgivable loans intended to encourage employers to retain and re-hire employees.

<500

Companies with less than 500 employees can apply for the Paycheck Protection Program.



Apply through banks that make the loans on behalf of the Small Business Administration.

Interest not to exceed

4%

Applications are due by

6/30

WAIVER OF AFFILIATION RULES

The number of employees may be adjusted for businesses in accommodation & food service industries, franchises & businesses receiving financial assistance under the Small Business Investment Act.

NONRECOURSE

SBA has no recourse against any business owner and there are no personal guarantees.

6 MONTHS

No debt service payments for at least six months and not more than one year.

Paycheck Protection Program

LOAN CALCULATIONS

Up to **\$10 MILLION** or the lesser of the following:

**2.5 X 12 MONTHS PRIOR
AVERAGE PAYROLL COSTS**

incurred in the 1-year period before the date of the loan PLUS the amount outstanding under the SBA's disaster loan program.

For businesses not in existence during 2/15/19 - 6/30/2019 the calculation is 2.5 multiplied by the average monthly payroll for the period 1/1/2020 - 2/29/2020.

LOAN FORGIVENESS



Your company's expenses for the eight-week period after the origination of the loan will be analyzed. Every dollar your company spends on payroll, utilities, rent, or interest on mortgage debt will be added together. **That amount will be forgiven, up to the total amount your company borrowed through the program.**

- ▣ The amount forgiven will be reduced for businesses that lay off employees during the first eight weeks following the loan.
- ▣ Reducing wages of employees making less than \$100,000/year by 25% or more will have the forgivable amount reduced.
- +
- Employees let go before accepting the loan aren't subject to the penalties. Businesses that rehire employees after accepting the loan will receive additional credit to cover their wages.

Paycheck Protection Program

PAYROLL INCLUDES



Salary, wage, commission, or similar compensation



Payment of cash tip or equivalent



Payment of any retirement benefit



Allowance for dismissal or separation



Payment for vacation, parental, family, medical, or sick leave



Payment required for the provisions of group health care benefits, including insurance premiums



Payment of state or local tax assessed on the compensation of employees



SOLE PROPRIETOR & INDEPENDENT CONTRACTORS

Wages, commissions, income, net earnings from self-employment, or similar compensation and is in an amount not more than \$100,000 in one year, as prorated for the covered period.

PAYROLL DOES NOT INCLUDE:

- Certain federal taxes
- Compensation of employees who are not residents in the U.S.
- Individual employee compensation over \$100,000 annualized
- Sick leave and family leave credited under the FFCRA

