



CARES Act Summary

The President and the Congress have put in place legislation to deal with the economic consequences of the Coronavirus Covid-19 pandemic. We will provide information regarding those aspects of the legislation that could benefit our clients. We want to partner with our clients to analyze the potential benefits, assist in developing a plan to pursue those benefits, and support the execution of that plan.

We have attached three files that describe the benefits of the programs, the tasks required to participate, and other important considerations. Here is a summary of these programs:

1. **SBA Paycheck Protection Program (“PPP”) Loans**

The CARES Act authorizes \$349 billion for the PPP, loans made by the SBA and other lenders approved by the SBA to qualifying small businesses. In general, companies may be eligible under the PPP (if not disqualified by the SBA's affiliation rules) if they:

- (a) have fewer than 500 employees,
- (b) were in operation on February 15, 2020, and
- (c) have suffered business disruption as a result of COVID-19.

Qualifying borrowers may borrow up to 2.5 times the borrower's average monthly U.S. payroll cost, subject to a \$10 million cap. PPP Loan proceeds may only be used to pay for payroll costs, certain group healthcare related costs and insurance premiums, employee salaries, rent, mortgage interest, utilities, and interest on debt obligations incurred before February 15, 2020. PPP Loans will be unsecured, and no personal guarantees by owners or borrower affiliates will be required. A PPP Loan may be forgiven in an amount equal to the amount spent by the borrower on covered payroll costs, mortgage interest, rent, and utilities during the period from February 15, 2020 to June 30, 2020. Borrowers may repay PPP Loans that are not forgiven over a period of up to 10 years.

2. **Economic Injury Disaster Loans (“EIDL”)**

This program provides for direct loans from the SBA and could also be useful to some smaller companies. It extends the EIDL program previously aimed at natural disasters to the COVID-19 crisis. The EIDL program is subject to the same SBA rules as the PPP Loans. Under this program, up to \$2 million is available per borrower, dependent on ability to repay and creditworthiness. Some company owners may need to guarantee EIDLs, but the CARES Act exempts loans of less than \$200,000 from this requirement. Generally, these loans must be secured. SBA size eligibility, including the SBA's affiliation rules, must be satisfied. The loan will be repayable in up to 30 years, determined on a case by case basis, and must be used for fixed debts, payroll, accounts payable, and other bills that can't be paid because of the disaster's impact.

The CARES Act also authorized \$10 billion in emergency grants to applicants for EIDLs, with a maximum of \$10,000 per emergency grant. The grants are required to be dispersed within three days of the applicant filing an application and are not required to be repaid even if the applicant is subsequently denied an EIDL.

3. **\$500 Billion Economic Stabilization and Assistance to Severely Distressed Sectors of the United States Economy**

In addition to the PPP Loans and EIDL grants for small businesses, the CARES Act authorizes up to \$500 billion for loans, loan guarantees, and other investments to support eligible businesses, states and

municipalities, including emergency relief for qualifying medium-size businesses (500 – 10,000 employees).

4. New Payroll Tax Credits

On March 18, 2020, the "Families First Coronavirus Response Act" was signed into law. The Act enacts new payroll tax credits for certain smaller businesses, including:

Credit for Paid Sick Leave—An employer will be allowed a credit against the Social Security tax for each calendar quarter in an amount equal to 100 percent of the qualified sick leave wages paid per employed individual per day, subject to certain limitations.

Credit for Paid Family Leave—An employer will also be allowed a credit against the payroll tax for each calendar quarter in an amount equal to 100 percent of the qualified family leave wages paid per employed individual per day, subject to certain limitations.

An employer is generally entitled to a refund of each credit to the extent it exceeds the employer's payroll tax liability for any calendar quarter.

On March 27, 2020, the "Coronavirus Aid, Relief, and Economic Security Act" (CARES Act) was signed into law and enacted additional payroll tax related relief:

- A company subject to closure due to COVID-19 orders or that experiences a significant decline in gross receipts may take a refundable tax credit against the 6.2 percent Social Security payroll tax in the amount of 50 percent of up to \$10,000 of wages paid to an employee (giving a maximum credit of \$5,000 per employee) after March 12, 2020 and before January 1, 2021.

SBA PPP Loan recipients are ineligible for this credit. Companies with more than 100 employees are eligible for the credit only for wages paid to employees who are not providing services due to closure or a significant decline in gross receipts.

- A company may defer deposit and payment of the 6.2 percent Social Security payroll tax for the remainder of 2020 beginning March 27, 2020: 50 percent deferred until December 31, 2021, and the remaining 50 percent deferred until December 31, 2022.

Companies that have indebtedness forgiven under the SBA PPP (see below) or other comparable loans provided by newly participating financial institutions under the CARES Act will be ineligible for this deferral.