



March 27, 2020

During these critical days of dealing with the CO VID-19 issues, many of you are wondering what you should be doing in the interim until you are permitted to return to work. Here are some suggestions for how to get loans and/or grants as well as an explanation of different programs available. These are tough economic times and we are all stressed worrying about our trained staff and our finances for the practice and ourselves Hopefully this helps you sort through all the information and options.

Economic Relief Plan (CARES Act) is Passed by the Senate

There are many new provisions in the new bill that was passed. Here are a few:

- **Expanded unemployment insurance.** Unemployment insurance provisions now include an additional \$600 per week payment to each recipient for up to four months, and extend UI benefits to self-employed workers, independent contractors.
- **Recovery Rebate for individual taxpayers.** The bill would provide a \$1,200 refundable tax credit for individuals (\$2,400 for joint taxpayers). Additionally, taxpayers with children will receive a flat \$500 for each child. The rebates would not be counted as taxable income for recipients, as the rebate is a credit against tax liability and is refundable for taxpayers with no tax liability to offset. The rebate phases out at \$75,000 for singles, \$112,500 for heads of household, and \$150,000 for joint taxpayers.
- **50 percent refundable payroll tax credit.** Employers are eligible for a 50 percent refundable payroll tax credit on wages paid up to \$10,000 per person during the crisis. It would be available to employers whose businesses were disrupted due to virus-related shutdowns and firms experiencing a decrease in gross receipts of 50 percent or more when compared to the same quarter last year. The credit is available for employees retained but not currently working due to the crisis for firms with more than 100 employees, and for all employee wages for firms with 100 or fewer employees.
- **Employer Portion of Social Security payroll tax payments may be delayed.** Employer-side Social Security payroll tax payments may be delayed until January 1, 2021, with 50 percent owed on December 31, 2021 and the other half owed on December 31, 2022.

For an overview of loans:

- File for any grants or loans that your state may offer first.
- Next, file for an Economic Injury Disaster Loan (EIDL) through the SBA.
- Then file for an SBA 7A loan to convert your EIDL loan.

If you have adequate funds already available then you may want to look at some of this a little differently, but let's go through all the options and order that we suggest.

STATE GRANTS OR LOANS – These will certainly get picked up and funds exhausted faster than other grants and loans, so try to get this first.

SBA ECONOMIC INJURY AND DISASTER LOAN (EIDL)

This program provides loans to businesses that have suffered a substantial economic injury up to a maximum combined \$2 million dollars at an interest rate capped at 4.0% interest rate for a maximum of 30 years. These funds come directly from the U.S. Treasury and are supposed to be directly deposited in your account roughly 25 to 30 days after submitting their loan package.

There are NO fees, NO closing costs and NO collateral. Businesses must have a good credit history and show that they have the ability to repay the loans. You cannot use it to refinance a business's long-term debt, though.

You get this loan online through the SBA site. SBA will send you an advance - \$10,000 - and you don't have to pay it back as long as you provide documentation at a later date that you have used the funds according to the requirements. Even if you are turned down for the loan, you get to keep the \$10,000.

This EIDL loan will be added to the SBA 7A loan when you apply for that one.

For the EIDL loan, you want to borrow as much as you need right now for payroll and other bills since the rate is only 4%, which isn't out of line. These funds will get to you faster and help your immediate needs better, so that's why we recommend filing for this loan at this point

SBA 7A loan

- **Paycheck Protection Program.** **This probably the most interesting part of the new Bill for ALL of our clients.** These funds meant to help small businesses (fewer than 500 employees) impacted by the pandemic and economic downturn to make payroll and cover other expenses from February 15 to June 30. This will be done by having businesses apply for an SBA 7(a) loan through their local bank, not the SBA directly. Here are some of the features of the new loans:
 - **Maximum** - The maximum loan is the average monthly payroll for the business, including payroll taxes and benefits (like a 401K match), for the twelve-month period prior to the loan is made (capped at \$8,333.33 per person), times 2.5.
 - **Loan Forgiveness** – The loan will be forgiven to the extent that it is used for Payroll, Payroll Taxes, Rent, Mortgage Payments and Utilities paid from 2/15/2020 to 6/30/2020.
 - **Partial Forgiveness** – But the Forgiveness is reduced if you do not have the same number of Full-time equivalent employees no later than 6/20/2020, as you had on 2/15/2020, or calculated by an average FTE comparison by pay period to a previous time period (you choose either 2/15/2019 to 6/30/2020 or 1/1/2020 to 2/29/2020).
 - **Interest Rate** – The loan shall bear an interest rate not to exceed 4%.
 - **Taxability of Loan Forgiveness** – The loan forgiveness shall be **excluded** from gross income. Which means tax-free!
 - **Personal Guarantees** - Waived.
 - **Collateral** - Waived.
 - **Prepayment Penalty** - Waived.
 - **Guarantee Fees** - SBA and Borrower guarantee fees waived.
 - **Nonrecourse** - No recourse against any individual shareholder, member, or partner except to the extent that such shareholder, member, or partner uses the Covered Loan proceeds for unauthorized purpose.
 - **Required Certifications** - You need to make a good faith certification that (1) that the uncertainty of current economic conditions makes necessary the loan request to support the ongoing operations of the business; (2) acknowledging that funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments, and utility payments; (3) that you have not applied for the same type loan for the purpose from another bank; and (4) during the period beginning on February 15, 2020 and ending on December 31, 2020, that you have not received any SBA loan amounts for the same purpose and duplicative of amounts applied for or received under a Covered Loan.

For the SBA 7A calculation:

You take the average monthly cost for gross wages, employer paid payroll taxes, health insurance, matching 401k payments and multiply it by 2.5 and that is the amount that you would want to borrow. It is to basically provide you eight to ten weeks of covered expenses including payroll. You can use salaries of all staff as long as total compensation and benefits does not exceed \$100,000. For business owners, you can use \$100,000 as well.

You later have to show that you used the funds appropriately by spending it on the above-mentioned items with rent or mortgage interest and utilities billed being added into the consideration. There is an additional, critical requirement where you have to have the same amount of full time equivalent (FTE) staff on June 30, 2020 that you had on February 15, 2020. This will make the funds eligible for loan forgiveness, and it is completely nontaxable. If you have excess money, or if you don't meet the FTE criteria, then that simply gets turned in a loan where the interest rate is capped at 4%.

So, the EIDL loan and the 7A loan proceeds that don't get utilized using the above calculation turn into a loan at a 4% capped rate and you pay it off over time. This may be critical to getting back on your feet.

This is extremely technical, and will require some assistance to support your usage of the funds down the road to avoid getting into trouble and we will help as much as possible. There are some other ways in which we can help you to meet the criteria of having the correct FTE workers on June 20th, and we can discuss that later.

As we become aware of other nuances and changes, we will let you know through e-mails and our web page. We are working diligently to follow the laws as they change and get the information to you as it seems to be a fluid situation right now.