



Federal Stimulus for Small Business

What you need to Know

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Discussion Topics

Individual Stimulus Checks

Main Small Business Stimulus Programs

Small Business Economic Injury Disaster Loans (EIDL)

Paycheck Protection Program (PPP)

Payroll Tax Deferral

Other Programs

Families First Act (FFCRA)

Employee Retention Tax Credit

Business Tax Relief

Definitions

Small Business - <100 employees or <\$50 million in Revenue

SBA – Small Business Administration

EIDL – Economic Injury Disaster Loan

PPP – Paycheck Protection Program

IRS – Internal Revenue Service

FMLA – Family and Medical Leave Act

CARES - HR748 – Coronavirus Aid Relief and Economic Security Act

FFCRA - HR6201 – Families First Coronavirus Response Act

FTE – Full Time Equivalent Headcount

ER – Employer; EE - Employee

Individual Stimulus Checks

Adults

- Single \$1,200
- Married filing Joint \$2,400
- Head of Household \$1,200

Children: \$500 each child under 17 claimed as a dependent

Income thresholds based on 2018 or 2019 tax return

Based on AGI (Adjust Gross Income)

- Single \$75,000 to \$99,000
- Married \$150,000 to \$198,000
- Head of Household \$112,500 to \$136,500

Every dependent child adds \$10,000 to the AGI top end phase out

- If you filed your 2019 return and have direct deposit you will get your check the fastest
- If you have not filed either your 2018 or 2019 individual return you will NOT get a check!
- This stimulus check will NOT be considered taxable income on your 2020 return
- If you owe back taxes you will still get a stimulus check
- It will take time to distribute all the stimulus checks



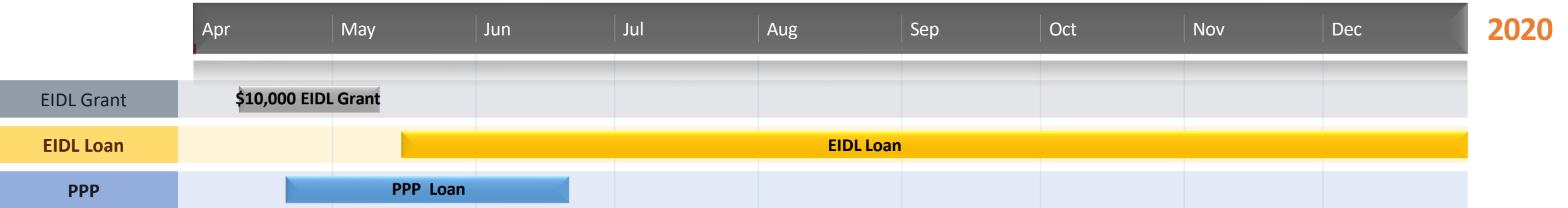
Small Business Federal Stimulus Summary

Program	When to Use	How Funded	Who Funds	Funding Speed	Key Details	Source/Bill
SBA EIDL (Economic Injury Disaster Loan)	Short term emergency grants; Longer Term support for expenses	Forgiveness of emergency grant; Fixed term loan	Treasury Department	3 Days/ 45 Days	Emergency \$10,000 grant; Low interest 30 year fixed loan (3.75% for profit; 2.75% non-profit)	SBA/ CARES Sec 1110
Paycheck Protection Program	Short term to pay payroll, rent, utilities	Loan w/Forgiveness	Banks	Fast	Loans to cover 8 weeks of costs w/forgiveness (up to 100% of principal)	CARES Sec 1102
FFCRA (Families First Act)	To cover FFCRA requirements	Payroll Tax Credits	Payroll	Fast	100% payroll credit	HR6201
Payroll Tax Deferral	Additional cash	Employer deferred payments through 2022	Payroll	Fast	Defer employer social security taxes (6.2%)	CARES Sec 2302
Employee Retention Tax Credit	Business closed or revenue decline >50%	Quarterly credit against payroll taxes	Payroll	Slow	Up to 50% of wages paid after March 12 up to \$10,000 per EE	CARES Sec 2301
Business Tax Relief	Additional cash	Tax relief measures through federal tax filings	IRS	Slow	Modifications to current and prior year tax returns	CARES Sec 2303-2307



When will I get my cash and how long will it last?

Cash timeline – EIDL with PPP



- \$10,000 EIDL Grant issued within 3 days of SBA application
- EIDL Loan approx. 45 days from application – loan based on approx. 6 months of operating expenses
- PPP Loans start after April 3 – loan covered period eligible for forgiveness is 8 weeks from loan origination

EIDL / PPP / Payroll Tax Deferral – How do these work together?



- You can get an SBA EIDL, SBA Emergency \$10,000 Grant, and a PPP Loan
- The emergency EIDL \$10,000 grant (advance) does not need to be repaid even if you are denied a loan
- PPP Loan forgiveness is not guaranteed – you must maintain payroll and FTE Headcount for an 8 week period after loan origination (compared to prior quarter)
- PPP Loan forgiveness is reduced by the \$10,000 EIDL grant. This means you will have at minimum a \$10,000 2 year loan at .5% interest with payment deferred for 6 months. Your monthly payment on a \$10,000 loan will be approx \$560 for 18 months.
- You must provide detailed records to receive PPP loan forgiveness – payroll registers, rent and utility bills; mortgage interest
- If you use a PPP loan and take advantage of the loan forgiveness you are NOT eligible for the Payroll Tax Deferral
- The Payroll Tax Deferral program was effective 3/27 but has not been implemented by most payroll companies as they await IRS guidance. Expect a retroactive adjustment.

EIDL / PPP Funding examples – How this works



EIDL w/o PPP

EIDL Grant	\$10,000
EIDL Loan Approved	\$200,000
EIDL Loan Financed	\$190,000
Total Cash	\$200,000

EIDL Loan \$190,000 30 year 3.75% (\$880/month)

The \$10,000 grant does not need to be paid back if used for approved purposes

PPP Only

PPP Loan	\$50,000
Forgiveness:	
8 weeks eligible expense	<u>(\$45,000)</u>
Remaining Loan	\$5,000

Assuming did not meet 100% loan forgiveness

Total Cash \$50,000

1 Loan:

PPP Loan \$5,000 2 year .5% (\$209/month)

EIDL w/ PPP

EIDL Grant	\$10,000
PPP Loan	\$50,000
EIDL Loan	<u>\$190,000</u>
Total Loans	\$240,000
PPP Forgiveness	<u>(\$35,000)</u>
Remaining Loans	\$205,000

Total Cash \$250,000

2 Loans:

EIDL Loan \$190,000 30 year 3.75% (\$880/month)

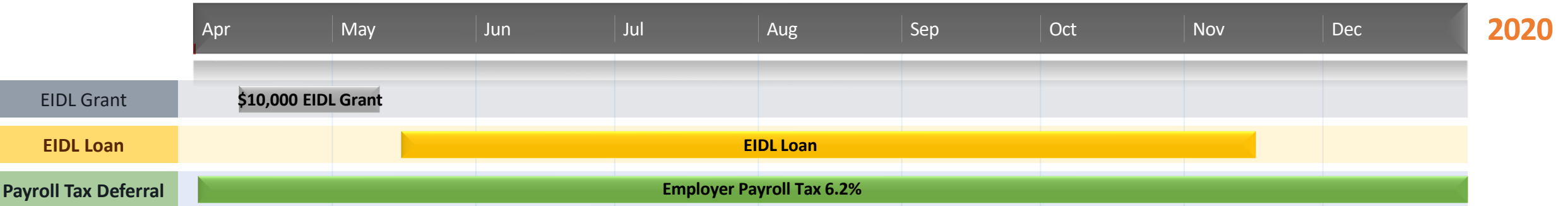
PPP Loan \$15,000 2 year .5% (\$628/month)

The PPP Loan forgiveness is reduced by the EIDL Grant (\$10,000) 8



When will I get my cash and how long will it last?

Cash timeline – EIDL with Payroll Tax Deferral



- \$10,000 EIDL Grant issued within 3 days of SBA application
- EIDL Loan approx. 45 days from application – loan based on approx. 6 months of operating expenses
- Payroll tax deferral effective 3/27 – Employer Social Security payment deferred (6.2%) until 2021/2022



Small Business Economic Injury Disaster Loan (EIDL)

The Loan

- SBA Loan up to \$2 Million used to pay fixed debts, payroll, accounts payable, and other bills
- 30 year fixed rate 3.75% for profit; 2.75% nonprofit
- Deferred payments for 1 year (Interest still accrues)
- Loans issued directly from the SBA (not banks)
- Small businesses, nonprofits, sole proprietors, and independent contractors can apply
- Nonprofits include any private nonprofit including charitable organizations such as churches and private universities.
- Loans <\$200,000 no personal guarantee required
- Streamlined application process available starting 3/30 <https://covid19relief.sba.gov/#/>

Emergency Grant

- A loan applicant can request a grant (advance) of \$10,000 after application. The SBA is to provide the grant within 3 days of application
- \$10,000 must be used for specific broad purposes (payroll, mortgage/lease, other obligations)
- If used correctly, the advance will be forgiven even if applicant is denied the loan
- If using the Paycheck Protection Program (PPP), PPP loan forgiveness will be reduced by this \$10,000 grant

If you applied for this loan prior to 3/30 and you need the \$10,000 Emergency advance you need to reapply through the streamlined process. Reapplying will not affect your existing application.



Paycheck Protection Program (PPP)

- Small businesses, 501c(3) nonprofits, sole proprietors, and independent contractors can **apply beginning April 3**
- Covered period is February 15, 2020 to June 30, 2020
- Loan amount is the average payroll costs during the 1 year period prior to the loan date times 2.5
- Loans are provided through banks and other financial institutions
- No personal guarantee or collateral required; **Loan maturity 2 years; .5% interest rate**
- **Deferred payment for 6 months**
- If you use the Employee Retention Tax Credit you can't also get a PPP loan

Eligible payroll costs:

For employers:

- Group health care and retirement benefits, paid sick and family leave, insurance premiums
- Employee salaries (up to \$100,000), commissions, or similar compensation including cash tips
- Most State or local payroll taxes (excludes federal taxes)
- Any employee who lives outside of the US is EXCLUDED; FFCRA payments are EXCLUDED.

For a sole proprietor or independent contractor:

- The sum of payments that is a wage, commission, income, net earnings from self-employment, That is less than \$100,000 in one year, as pro-rated for the covered period.
- Payment of interest on a mortgage, rent, Utilities, and interest on any other existing debt

Paycheck Protection Program LOAN FORGIVENESS



- Loans may be forgiven up to 100% of PRINCIPAL amount (interest is still owed)
- Covered loan period is the 8 week period beginning from loan origination
- Business must provide documentation – payroll reports, rent receipts, utility bills, mortgage interest reports
- Mortgage interest is eligible but any other interest paid on existing debt is NOT eligible for loan forgiveness
- Loan forgiveness is NOT taxable income
- **Loan forgiveness reduced if:**
 - Total salaries are reduced in excess of 25% compared to the full quarter prior to the loan date
 - EXCEPTION – employees paid >\$100,00 in 2019 are not subject to this limitation
 - Average # of Full Time Equivalent (FTE) decreases during the covered period
 - EXCEPTION - If you rehire FTE's that you laid off between 2/15 and 4/26 by 6/30 loan forgiveness will NOT be reduced
 - Any EIDL Emergency grant (\$10,000) received reduces this loan forgiveness



Deferral of Employer's Social Security payroll payments

- Employers and self-employed individuals can defer payment of the 6.2 percent employer share of Social Security taxes on 2020 employee wages.
- Employers can defer payment of the employer portion of the Social security taxes (6.2%)
- Self-employed can defer 50% of the self-employment taxes (6.2%)
- Payroll tax deferral period is March 27, 2020 through December 31, 2020.
- 50% of deferred taxes are due by December 31, 2021
- The remaining deferred taxes are due by December 31, 2022

Families First Coronavirus Response Act (FFCRA)

Payroll tax credits

Eligible employers who pay qualifying sick or child care leave will be able to retain an amount of the payroll taxes equal to the amount of qualifying sick and child care leave that they paid, rather than deposit them with the IRS.

Payroll taxes available for retention:

- withheld federal income taxes,
- the employee share of Social Security and Medicare taxes
- the employer share of Social Security and Medicare taxes with respect to all employees.

If there are not sufficient payroll taxes to cover the cost of qualified sick and child care leave paid, employers will be able to file a request for an accelerated payment from the IRS.

The IRS expects to process these requests in two weeks or less. The details of this new, expedited procedure have not been announced.

Employee Retention Tax Credit

A refundable credit against employer payroll taxes (Social Security 6.2%) for each calendar quarter equal to 50% of qualified wages paid after March 12, 2020 through December 31, 2020, up to \$10,000 in qualified wages, for each employee.

“Eligible employers” - were carrying on a trade or business during 2020 and **either**

- **Suspended operations** - Were required to fully or partially suspend operations as a result of orders from an appropriate governmental authority due to the COVID-19 outbreak, or had
 - **Significant decline in receipts** - Gross receipts that are less than 50% of their gross receipts for the same quarter in the prior year, until their gross receipts exceed 80% of their gross receipts for the same calendar quarter in the prior year.
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- This is paid through a quarterly refundable payroll tax credit. Details on how this will work are pending.
 - Qualified wages basically include salaries, other compensation, and benefits, as well as qualified health plan expenses. Any wages taken under the FFCRA (Families First Act) are excluded.
 - Wages paid to an employee may not exceed the amount such employee would have been paid for working for the 30 days immediately preceding the impacted time period.
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- Recipients of the Payroll Protection Program (PPP) are NOT eligible to receive this credit

Other Business Tax Credits

IRS Guidelines pending on all these CARE Act sections

5 year Net Operating Loss (NOL) carryback without taxable income limitation (Sec 2303) –

NOLs generated in tax years 2018, 2019, and 2020 could be carried back 5 years, allowing corporate taxpayers to amend earlier tax returns and potentially obtain a tax refund. In addition, the Bill temporarily allows NOLs to offset 100 percent of taxable income, instead of 80 percent.

Pass-throughs – The changes to the utilization of NOLs would also apply to pass-through entities

Excess Business Loss rules (Sec 2304) – The Bill temporarily suspends the Section 461(l) limitation on excess business losses for pass-through businesses and sole proprietors for the 2018, 2019, 2020 tax years.

Interest expense limitation (Sec 2306) – The TCJA limited interest deductions to roughly 30 percent of adjusted taxable income (“ATI”) (e.g., akin to 30 percent of EBITDA). The Bill increases this limitation to 50 percent of adjusted taxable income for tax years 2019 or 2020.

QIP Bonus Depreciation (Sec 2307) – The Bill adopts a technical correction to the TCJA’s apparent oversight in excluding the eligibility of qualified improvement property (e.g., real estate/leasehold improvements) from eligibility for bonus depreciation (i.e., currently 100 percent) for tax years after 2017.

Questions?

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