

How the CARES Bill Impacts YOU

Webinar – March 31, 2020

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Seminar Series

The information on this webinar is general information and should not be viewed as applicable to your individual situation and/or circumstance. We recommend that if you have questions on your individual situation that you follow up with either your attorney or specific accountant.

Please also understand that the information that we are providing is extremely fluid, is changing on a daily basis, and often getting superseded. What we present here today may very likely be irrelevant or incorrect tomorrow. As such, please know that it is only accurate as of today (certainly not going forward) and that even as of today the information is only our best understanding based on how we have reviewed/interpreted the information.

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Individuals

Recovery Rebate Credit

Access to Retirement Funds

Required Minimum Distributions

Charitable Contributions

Deadline Extension

Mortgage relief

Individuals – Recovery Rebate Credit

The maximum credit is **\$1,200** for each eligible individual (so \$2,400 for two eligible individuals who file a joint return), plus \$500 for each qualifying child

\$150,000 for joint filers—so the \$2,400 credit phases out completely at \$198,000

\$112,500 for a head of household—so the \$1,200 credit phases out completely at \$136,500

\$75,000 for any other taxpayer—so the \$1,200 credit phases out completely at \$99,000

Individuals – Recovery Rebate Credit

Is really a tax credit for 2020, with an advance payment made based on

1st **2019** Income

2nd **2018** Income

If not maxed out for either of the above, will look at **2020**

If 2020 is greater income than 2018/2019, advance credit is NOT paid back

Individuals – Recovery Rebate Credit

How will you get the Credit (Stimulus Funds)

Will use Bank Account Information from 2019 tax return if filed, 2018 if necessary.

If collecting Social Security (based on information provided on the 2019 1099-SSA)

There will be a website (currently being developed) that you can update your information if you have not previously provided account information

Will Mail check

If all else fails, you can get on your 2020 tax return

Individuals – Access to Retirement Plan Funds

10-percent additional tax on early distributions is waived for any qualified coronavirus-related distributions from a retirement plan.

Eligible individuals who take such distributions can include them in gross income over a three-year span and have three years to repay the amount.

The aggregate amount of distributions received by an individual which may be treated as coronavirus-related distributions for any tax year shall not exceed \$100,000.

Individuals – Access to Retirement Plan Funds

To qualify as a coronavirus-related distribution,

- the distribution must be from an eligible retirement plan made on or after the date of the enactment of the CARES Act and before December 31, 2020
 - Must be made to an individual who is

diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (Covid-19) by a test approved by the Centers for Disease Control and Prevention

whose spouse or dependent is diagnosed with such virus or disease by such a test
who experiences adverse financial consequences as a result the coronavirus

Individuals – Access to Retirement Plan Funds

Eligible retirement plans include

Individual Retirement Accounts or annuities (IRAs)
qualified employer-sponsored retirement plans (401K, SIMPLE IRAs)
403(a) annuity plans
403(b) tax-sheltered annuity plans
457(b) plans

Individuals – Other

Required Minimum Distributions are not required for the 2020 Tax Year

\$300 Above the Line Charitable Contribution Deduction

Mortgage Relief - Fannie/Freddie/FHA/VA/Rural Housing - up to 1-year loan forbearance if due to COVID financial hardship

Individuals – Deadlines

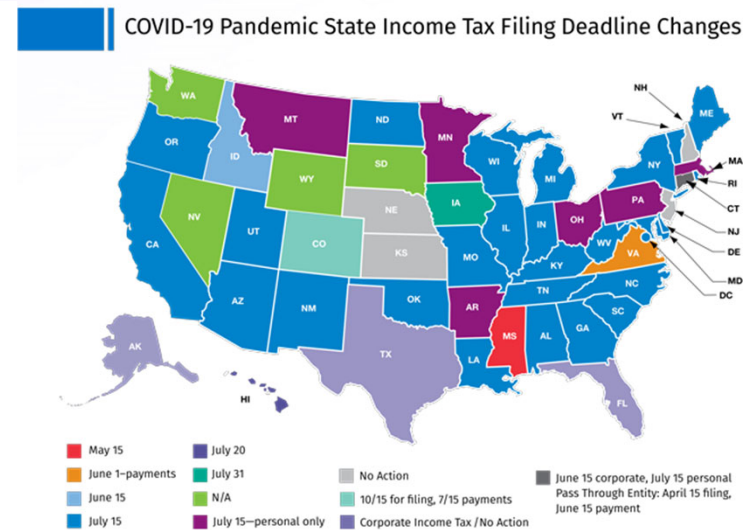
Federal Deadline

- July 15, 2020
- Extends HSA, SEP, IRA
- Filing
- Estimates

State Deadlines

Michigan Extended

Cities Extended



Unemployment

Expansion of benefits

Available to Self Employed / Business Owners

Expanded by 600

Question on whether the 600 is limited or on top

Potential impacts ability to get workers back

Several requirements lifted (required to look for work, need for return date, etc)

Emergency Sick & Family Medical Leave

Additional guidance provided by the DOL – See their FAQs

Puts question as to whether an entity can use Sick if the entity is shut down – points to the state unemployment – thus the SICK is more for if you are sick or have doctor request to quarantine

Will be potential for employees for companies that are critical

Still potential for the Family Leave – but unemployment may still be better

Guidance on employers under 50 exemption

Need to post the information (may also need to email)

Available once rehire has happened

Business

Economic Injury Disaster Grant

Payroll Protection Program

Economic Injury Disaster Loan

Employee Retention Credit

Payroll Tax Holiday

SBA Loan payments – 6 months paid on your behalf – automatically

Misc items

Business – Economic Injury Disaster Grant

Grant of \$10k is available

\$10,000 quick cash advance on an EIDL (within 3 days)

Will not need to repay the advance even if denied an EIDL

Must have been in operation on 1/31/20








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COVID-19: SMALL BUSINESS LOAN OPTIONS

These two key programs are offered under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.*

- The Paycheck Protection Program (PPP) is a federal loan program that is potentially forgivable aimed at helping small business that have been impacted by Coronavirus.
- Economic Injury Disaster Loan (EIDL) can apply to a wider range of expenses but is not forgivable.

Paycheck Protection Program (PPP)		Economic Injury Disaster Loan (EIDL)
<ul style="list-style-type: none"> - Payroll Expenses - Employee Salaries - Mortgage Interest - Rent and Utilities - Interest on debt incurred before 2/15/20 	 USES	<ul style="list-style-type: none"> - Payroll - Fixed Debts - Accounts Payable - Other expenses that can't be paid because of the disaster's impact
2.5X business's average monthly payroll	 AMOUNT	up to \$2 million
fixed 4% Annual Percentage Rate	 RATE	3.75% Annual Percentage Rate
no payments for first 6-12 months then a 10-year term	 TERMS	up to 30 years
up to 100% with approval	 FORGIVENESS	0% is eligible for forgiveness

This information is accurate and updated as of 3/27/2020.

The above only illustrates key items for each program. Please refer to actual program specifics to ensure all applicable requirements and benefits.

* Other loan and/or benefit options may be available

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Business – Payroll Protection Program

Apply at an SBA approved lender

The coverage period is February 15 – June 30, 2020

Loans are intended to cover payroll, health care, mortgage, rent, utilities and interest on debt incurred before the covered period.

The maximum payroll covered per individual is \$100k in annual earnings. This is prorated for the covered period

The Owner will not be required to sign a personal guarantee or put up collateral

How do I calculate my average monthly **PAYROLL COSTS?**



sum of
INCLUDED
payroll costs

—

sum of
EXCLUDED
payroll costs

=

**PAYROLL
COSTS**

INCLUDED Payroll Cost:

- 1. For Employers:** The sum of payments of any compensation with respect to employees that is a:
 - salary, wage, commission, or similar compensation;
 - payment of cash tip or equivalent;
 - payment for vacation, parental, family, medical, or sick leave
 - allowance for dismissal or separation
 - payment required for the provisions of group health care benefits, including insurance premiums
 - payment of any retirement benefit
 - payment of state or local tax assessed on the compensation of the employee
- 2. For Sole Proprietors, Independent Contractors, and Self-Employed Individuals:** The sum of payments of any compensation to or income of a sole proprietor or independent contractor that is a wage, commission, income, net earnings from self-employment, or similar compensation and that is in an amount that is not more than \$100,000 in one year, as pro-rated for the covered period.

EXCLUDED Payroll Cost:

1. Compensation of an individual employee in excess of an annual salary of \$100,000, as prorated for the period February 15, to June 30, 2020
2. Payroll taxes, railroad retirement taxes, and income taxes
3. Any compensation of an employee whose principal place of residence is outside of the United States
4. Qualified sick leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act (Public Law 116–5 127); or qualified family leave wages for which a credit is allowed under section 7003 of the Families First Coronavirus Response Act

Maximum loan =

2.5 X Average total monthly payroll costs incurred during the year prior to the loan date

For businesses not operational in 2019:

2.5 X Average total monthly payroll costs incurred for January and February 2020

SEASONAL EMPLOYERS:

Maximum loan =

2.5 X Average total monthly payments for payroll costs for the 12-week period beginning February 15, 2019 *or* March 1, 2019 (decided by the loan recipient) and ending June 30, 2019

Reduction based on reduction of number of employees



PAYROLL COST
Calculated on page 2

X

Average Number of Full-Time Equivalent Employees (FTEs) Per Month for the 8-Weeks Beginning on Loan Origination

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Option 1:

Average number of FTEs per month from February 15, 2019 to June 30, 2019

Option 2:

Average number of FTEs per month from January 1, 2020 to February 29, 2020

For Seasonal Employers:

Average number of FTEs per month from February 15, 2019 to June 30, 2019

Reduction based on reduction in salaries



PAYROLL COST
Calculated on page 2

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For any employee who did not earn during any pay period in 2019 wages at an annualized rate more than \$100,000, the amount of any reduction in wages that is greater than 25% compared to their most recent full quarter.

What if I bring back employees or restore wages?

Reductions in employment or wages that occur during the period beginning on February 15, 2020, and ending 30 days after enactment of the CARES Act, (as compared to February 15, 2020) shall not reduce the amount of loan forgiveness **IF** by June 30, 2020 the borrower eliminates the reduction in employees or reduction in wages.

Business – Economic Injury Disaster Loan

CAUTION – Can have both PPP and EIDL – BUT can't duplicate the use of funds across multiple SBA loans.

Need to have suffered a substantial economic injury

Up to \$2 Million, 3.75% over 30 years

Business – Economic Injury Disaster Loan

Must apply through the SBA website with approval occurring in 2-3 weeks and funding several weeks thereafter.

May be approved solely on the bases of the applicant's credit score or other alternative methods to gauge the applicant's ability to repay

The CARES Act waives the requirement for a personal guarantee for loans up to \$200k, the requirement that the applicant must be in business for a year or more, and the credit elsewhere test.








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Business – Economic Injury Disaster Loan

Need a credit history

Demonstrate an ability to repay

Suffering a working capital loss

Personal financial statement to be submitted

Maximum unsecured loan of \$25k

Collateral required on loans exceeding \$25k; although, SBA will not decline due to a lack of collateral but will rather take anything that can be pledged

Business – Employee Retention Credit

Not available to recipients of paycheck protection program loans

Refundable payroll tax credit of 50% of first \$10k of compensation (+ health benefits) paid during COVID crisis between 3/13/20 and 12/31/20 (effectively \$5,000 per “employee”)

Applies to employers whose:

Operations fully or partially suspended due to COVID related shut down order, or
Gross receipts declined by more than 50% when compared to same quarter in previous year

Wages do not include those paid out for ES&FL

Business – Payroll Tax Holiday

Not allowed to employers receiving a PPP loan

Only applies to employer 6.2% Social Security portion

50% of liability paid by 12/31/21

Remaining 50% liability paid by 12/31/22

Business – Other

“Retail Correction” - 15 Year deduction correction

Business interest deduction limitation lifted

Excess business losses

Business – SBA Loan Payments

SBA Loan payments – 6 months paid on your behalf – automatically

Applies to

New loans as part of the Act

Loans already in place (504 and 7a)

New Loans

Real Estate Entities (Landlords)

Don't necessarily forgive – rather make arrangements with the tenant – tenant may want to pay to meet the PPP requirements

Use of EIDL

IF SBA payments would qualify for the 6 month deferral

Talk with bank if not SBA

Looking Ahead - Individuals

Get 2019 completed

Estimates

HSA/SEP/IRA – 2020 contributions now

NOL – likely will get loss in 2020 (between slow down plus the PPP forgiveness) –
how are we going to utilize that benefit.

Looking Ahead - Business

SBA Loan (Either EIDL, 7a or 504) – for purchase of equipment/building/business

Thinking what employees could be doing if they come back sooner than needed.
Proactive measures with customers or projects that always get pushed aside
because you're too busy

Debt Covenants – will likely be blown – talk with your banker sooner than later

Looking Ahead

Thank you for your patience during this time. We are still processing returns and payroll and will continue to do so. But like many on the call, we are home, working through kinks, plus dealing with all this newly added items

Plan on doing March accounting sooner than later – (and year end if you haven't done so!!). Yes, I'm pushing March accounting already! – banks will likely be asking for it.

If we haven't talked personally yet – we will. We are here and want to talk through your individual situation. There is impact for 100% of people on this.

If you have earnings from business -self employed, S Corp, or LLC – we should talk sooner than later

Looking Ahead

We are going to continue these seminars each Tuesday at 1PM. May be new information, may be further guidance on the key items, may be deeper dives into the programs that seem to be rising to the surface

Check our website for continued updated information

www.intrustcpa.us

www.integratedpayroll.us

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THANK YOU

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