



COVID-19 Related Assistance for U.S. Organizations

Reference Guide
(as of April 20, 2020)

BEYOND THE NUMBERS

• *Revised April 15,
2020*

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Paycheck Protection Program (PPP)

As of Sunday night (April 19, 2020) Senate Democrats and Republicans were negotiating a deal that would allocate \$310 billion more into the Paycheck Protection Program, setting aside \$60 billion for rural and minority groups.

The remaining \$60 billion would go to the Economic Injury Disaster Loan program, a separate program offering loans for small businesses.

Treasury Secretary Steven Mnuchin told Republicans on a call Sunday afternoon that open items are limited to increased federal funds for coronavirus testing.

We will update this data to you as soon as new information becomes available.

Economic Injury Disaster Loan (EIDL)

Eligible Organizations	<ul style="list-style-type: none">• Generally, any business with not more than 500 employees (some exceptions apply),• Businesses that qualified under SBA size standards.• Sole proprietorships, independent contractors and self-employed individuals.• 501(c), 501(d), and 501(e) Private Not-for-Profit Organizations• Small Agricultural cooperatives• Cooperatives with 500 or fewer employees• ESOP with 500 or fewer employees
Affiliation Rules	<p>Companies under common control must be aggregated for purposes of determining whether a business meets the size standards. The key factor is control, which can be achieved through:</p> <ul style="list-style-type: none">• Majority voting control• Managerial control• Economic control• Significant influence, but less than majority control• Close family member holdings
Religious Affiliation Exemption	<p>Although SBA regulations explicitly states entities principally engaged in teaching, instructing, counseling or indoctrinating religious beliefs are ineligible for SBA programs, the SBA has issued guidance that it will decline to enforce those regulations</p>

Economic Injury Disaster Loan (EIDL)

Ineligible entities	<p>The following entities are not eligible to receive PPP or EIDL</p> <ul style="list-style-type: none">• Those engaged in lending, multi-level sales distribution, speculation or investment (except for certain real estate investments)• A consumer or marketing cooperative• Certain types of agri-businesses• Businesses not qualifying as “small”• Entities deriving more than one-third of its revenue from gambling activities• Entities principally engaged in political or lobbying activities
Loan Amount	<ul style="list-style-type: none">• Up to \$2 million and determined by SBA
Length and Interest rate	<ul style="list-style-type: none">• Up to a 30-year amortization as determined by the SBA• Interest rate 3.75% for businesses, and 2.75% for not-for-profits
Qualified Uses of Proceeds	<p>Ordinary and necessary business expenses</p> <p>Excluded uses:</p> <ul style="list-style-type: none">• Refinancing existing debt• Paying other federal agency loans• Paying federal, state or local tax penalties or fines• Repairing physical damage• Making distributions to owners other than reasonable remuneration

Economic Injury Disaster Loan (EIDL)

Waivers	<p>The following EIDL loan requirements are waived through December 31, 2020.</p> <ul style="list-style-type: none">• Personal guarantees on loans up to \$200,000• 1-year in business requirement• Ability to obtain credit elsewhere <p>Applicants can be approved based on credit score alone without the need to submit tax returns.</p>
Advance	<p>Any entity that is otherwise qualified to receive an EIDL, will be given a \$10,000 grant within 3 days when they apply, regardless of if they are ultimately approved for the EIDL. The grant can be used for any EIDL qualified use. The grant does not need to be repaid.</p>
Application	<p>Applications are submitted directly to the SBA: https://disasterloan.sba.gov/ela/</p>
Application Period	<p>Open as long as funds available</p>
Conversion	<p>If EIDL awarded, it can be converted to a PPP loan if that loan is approved later</p>
Information required	<p>The following is a list of items that may be needed during application process</p> <ul style="list-style-type: none">• Last 3 years of financials• Internal financial information since end of last fiscal year• Last 3 years of tax returns• Current list of payables and debt• Personal financial statement

Main Street Lending Program

Eligibility	<ul style="list-style-type: none">• All companies employing up to 10,000 workers, or with 2019 annual revenues up to \$2.5 billion, are eligible for the program.• A business that is created or organized in the U.S. or under the laws of the U.S.• Significant operations or majority of employees based in the U.S.• Borrower must attest to:<ul style="list-style-type: none">○ Financing required due to circumstances caused by COVID-19 pandemic○ Make reasonable efforts to maintain payroll and retain their employees
Start date	To be determined
Lenders	<ul style="list-style-type: none">• U.S. insured depository institutions• U.S. bank holding companies• U.S. savings and loan holding companies
Form of Loan and Other Terms	<ul style="list-style-type: none">• Four-year term loan• Interest Rate - secured overnight financing rate (SOFR) plus 250-400 basis points• Origination fee – 100 basis points of the principal amount of the eligible loan• Four-year maturity (one-year deferral of amortization of principal and interest)• Main Street New Loan Facility<ul style="list-style-type: none">○ Minimum size of loan - \$1 Million○ Maximum size of loan - \$25 million or 4X EBITDA• Main Street Expanded Loan Facility<ul style="list-style-type: none">○ Minimum size of loan - \$1 million○ Maximum size of loan - the lesser of \$150 Million, 30% of borrower's existing undrawn bank debt, or 6 times 2019 EBITDA

Main Street Lending Program

Compensation Limitations	<p>An entity entering into the loan, any officer or employee of the business whose total compensation exceeded \$425,000 in 2019:</p> <ul style="list-style-type: none">• will not be allowed to receive an increase over the 2019 compensation for a 2 year period beginning on March 1, 2020 and ending on March 1, 2022• Any severance for said employee will not exceed 2 times the 2019 compensation• Exception for compensation determined by a collective bargaining agreement
Equity activity limitations	<p>Until 12 months after the loan is no longer outstanding, a borrower can not:</p> <ul style="list-style-type: none">• Make a dividend or other capital distribution• Make a stock repurchase of the borrow or any parent company on a national securities exchange
Paycheck Protection Program (PPP)	<p>Entities that have taken advantage of the Paycheck Protection Program may also take advantage of the Main Street Lending Program.</p>

Payroll Tax Deferral

Description	Defer payment of employer payroll taxes and self-employment taxes incurred between March 27, 2020 and December 31, 2020
Eligibility	All employers and self-employed individuals (including partners in partnerships)
Limitation	A borrower who obtains PPP loan forgiveness may not use the Payroll Tax Deferral Program on tax due after the date they are notified by the lender that the PPP loan was forgiven.
Amounts	The deferral relates to the employers 6.2% social security tax or the equivalent amount for a self-employed individual. No Maximum.
Deferred Payment Dates	Amounts will be considered timely paid if 50% paid of the deferred amount paid by December 31, 2021 and the remainder by December 31, 2022.

Employee Retention Credit

Description	Employee retention credit for wages paid from March 13, 2020 to December 31, 2020 that are subject to closure or significant economic downturn due to Covid-19
Eligibility	<ul style="list-style-type: none">• Operations were fully or partially suspended on orders from a governmental authority due to COVID-19 (COVID-19 Shutdown), or• The business experienced a 50% reduction in gross receipts for a calendar quarter as compared to the same calendar quarter in the prior year (Gross Receipts Decline). The eligibility period ends when the business' gross receipts for a calendar quarter are 80% of the gross receipts in the same calendar quarter in the prior year. This test requires employers to analyze gross receipts among all aggregated entities
Ineligibility	Any employer that receives an SBA Paycheck Protection Program loan is not eligible for the Credit
Amount	<p>The credit amount takes into account up to 50% of qualified wages, which are capped at \$10,000. Thus, the maximum credit is \$5,000 per employee.</p> <p>Qualified wages include qualified health plan expenses paid or incurred by the employer for health coverage excludable under IRC Section 106(a).</p>
Entities with <u>More Than</u> 100 Employees	For employers with an average of more than 100 employees in 2019, qualified wages are wages paid to an employee who is not providing services due to a COVID-19 Shutdown or Gross Receipts Decline.

Employee Retention Credit

Entities with <u>100 or less employees</u>	For employers of 100 or fewer employees, qualified wages are wages paid to any employee without regard to whether the employee is providing services.
Refunds	The credit is refundable. However, it is subject to a number of rules to prevent double-dipping. For example, an employer's deduction for wages must be reduced by the amount of the credit.
Payroll Tax Deferral	An entity that utilizes the credit can still utilize the payroll tax deferral program.
Reporting	Employers can reduce their required deposits of payroll taxes. Eligible employers will report their qualified wages and health insurance costs on their quarterly employment tax returns.
Applying for Refund or Advance	If employer's employment tax deposits are not sufficient to cover the credit or if employer wants advance of the credit, the employer may receive a refund or an advance payment from the IRS by submitting Form 7200, Advance payment of Employer Credits Due to Covid-19.

Paid Sick Leave Refundable Credit

Terms	<ul style="list-style-type: none">• The Families First Coronavirus Response Act (the "FFCRA")• the Emergency Paid Sick Leave Act (EPSLA)• the Emergency Family and Medical Leave Expansion Act (Expanded FMLA)• Businesses with less than 500 Employees (Eligible Employers)
Requirements	<p>The EPSLA requires Eligible Employers to provide employees with paid sick leave if the employee is unable to work (including telework) due to any of the following:</p> <ul style="list-style-type: none">• the employee is under a Federal, State, or local quarantine or isolation order related to COVID-19;• the employee has been advised by a health care provider to self-quarantine due to concerns related to COVID-19;• the employee is experiencing symptoms of COVID-19 and seeking a medical diagnosis;• the employee is caring for an individual who is subject to a Federal, State, or local quarantine or isolation order related to COVID-19, or has been advised by a health care provider to self-quarantine due to concerns related to COVID-19;• the employee is caring for the child of such employee if the school or place of care of the child has been closed, or the child care provider of such child is unavailable, due to COVID-19 precautions;• the employee is experiencing any other substantially similar condition specified by the U.S. Department of Health and Human Services.

Paid Sick Leave Refundable Credit

Required Pay	<ul style="list-style-type: none">• An employee who is unable to work for reasons due to a COVID-19 circumstance described in 1, 2 or 3 above is entitled to paid sick leave for up to two weeks (up to 80 hours) at the employee's regular rate of pay, or, if higher, the Federal minimum wage or any applicable State or local minimum wage, up to \$511 per day and \$5,110 in the aggregate.• An employee who is unable to work due to a COVID-19 circumstance described in 4, 5 or 6 above is entitled to paid sick leave for up to two weeks (up to 80 hours) at 2/3 the employee's regular rate of pay or, if higher, the Federal minimum wage or any applicable State or local minimum wage, up to \$200 per day and \$2,000 in the aggregate.
Credit	Employers are entitled to receive a credit in the full amount of the qualified sick leave wages and qualified family leave wages, plus allocable qualified health plan expenses and employers share of Medicare tax, paid for the leave between April 1, 2020 and December 31, 2020
Social Security Tax	The Employer is not subject to the employer portion of social security tax imposed on the qualified pay.

Paid Sick Leave Refundable Credit

Claiming Credit	Eligible employers that pay qualified leave wages will be able to retain an amount of all federal employment taxes equal to the amount of the qualified leave wages paid, plus the allocable qualified health plan expenses and the amount of the employer's share of Medicare tax imposed on those wages, rather than depositing them with the IRS.
Claiming Refunds	If employer's employment tax deposits are not sufficient to cover the credit, the employer may receive a refund from the IRS by submitting Form 7200, Advance payment of Employer Credits Due to Covid-19.

Corporation Tax Opportunities

Quick Refund of Corporation Overpayments	
Eligibility	A corporation that overpaid its estimated 2019 Federal tax by either <ul style="list-style-type: none">• At least 10% of the 2019 expected tax liability and• At least \$500
Calculation	The quick refund is the excess of the estimated Federal income tax the corporation paid during the tax year over the final Federal income tax liability expected for the year at the time the application is filed
Deadline	After the end of the corporation's tax but not later than the original due date of the tax return (not including extensions (April 15, 2020 for calendar year 2019)
Form	Form 4466 Corporation Application for Quick Refund of Overpayment of Estimated Tax

Corporation Tax Opportunities

Potential Taxable Income Reduction Opportunities	
Net Operating Losses	<ul style="list-style-type: none">• 2018 and 2019 Federal net operating loss (NOL) carryforward available to offset 2019 and 2020 taxable income increased from 80% to 100%• NOLs originating for tax years beginning after December 31, 2017 and before January 1, 2021 can be carried back 5 years from the year the NOL originated• Subject to certain rules and limitations
Bonus Depreciation	Qualified improvement property eligible for bonus depreciation for 2019 and retroactively for 2018. Entities would have to amend their 2018 return to take advantage of the increased depreciation for 2018 resulting in either tax refunds and/or net operating losses to carryforward to 2019.
Interest Expense Limitation	The interest expense deduction limitation is increased from 30% to 50% for 2019 and 2020.

Economic Impact Payments

Program	Eligible taxpayers who filed tax returns for either 2019 or 2018 will automatically receive an economic impact payment of up to \$1,200 for individuals or \$2,400 for married couples. Parents also receive \$500 for each qualifying child.
Eligibility	<p>Tax filers with adjusted gross income up to \$75,000 for individuals /\$150,000 for married couples filing joint returns.</p> <p>For filers with income above those amounts, the payment amount is reduced by \$5 for each \$100 above the \$75,000/\$150,000 thresholds.</p> <p>Single filers with income exceeding \$99,000 and \$198,000 for joint filers with no children are not eligible.</p>
Delivery	Treasury plans to develop a web-based portal for individuals to provide their banking information to the IRS online, so that individuals can receive payments immediately as opposed to checks in the mail.
Individuals Who Typically Do Not File Returns	<p>Individuals who receive Forms SSA-1099 or Form RRB-1099 will receive the economic impact payments without having to file tax return. However, their dependents will not automatically receive a payment.</p> <p>Other Persons not mentioned above who do not typically file a return will be required to file a return to receive the economic relief payment.</p>
Period	Economic Impact Payments will be available through 2020

Individual Tax Opportunities

Charitable Contributions	<ul style="list-style-type: none">• Individuals utilizing the standard deduction can claim an addition deduction of up to \$300 for charitable contributions made in 2020.• Except for contributions to donor advised funds, the adjusted gross income limit on charitable contributions is removed for 2020.
Self-Employment Tax	Self-employed individuals can utilize the payroll tax deferral program to defer payment of the 2020 social security portion of the deductible portion of the self-employment tax into two equal installments due by December 31, 2021 and 2022.
Required Minimum Distributions (RMD)	<ul style="list-style-type: none">• No RMD is required for 2020 for defined contribution plans [401(k), 403(b), 457(b), and IRAs].• Additional persons who deferred their 2019 distributions to 2020 based on required beginning date is not required to take that distribution in 2020.
Early Retirement Distributions	<ul style="list-style-type: none">• Distributions up to \$100,000 taken by persons before they obtain the age of 59.5 during 2020 for Coronavirus related reasons will not be subject to the 10% early distribution penalty.• Individuals who take such distributions can elect to include the distribution in income over 3 years beginning with 2020.• Such distributions can be contributed back to the plan within the 3 year period and be treated as a tax-free rollover.
Defined Contribution Plan Loans	<ul style="list-style-type: none">• Plans can lend Individuals directly impacted by the coronavirus, either by economically or medically, up to \$100,000.• Payments due between March 27, 2020 and December 31, 2020 on loans outstanding on or before March 27, 2020 are delayed one year.

Federal Tax Deadlines

Deadline Extensions	<ul style="list-style-type: none">• Federal tax returns, tax payments, and estimate payments due between April 15, 2020 and July 15, 2020 are automatically extended to July 15, 2020
Covered Returns and Entity Types	<ul style="list-style-type: none">• Individuals (Form 1040, including 1040NR)• Corporations (Form 1120)• Partnerships (Form 1065)• Estate, Gift and Trust returns (Form 1041, 706, 8971)• Non-profits (Form 990-T, 990-PF, 4720, 990-W)• Forms 3520, 5471, 5472, 8621, 8858, 8865, and 8938• Installment payments due under § 965• Due date for time sensitive elections (i.e., accounting method changes and similar elections made on returns)• Estate tax payments under installment agreements for estates• Extensions of time to pay previously granted by the IRS• Extensions of time to pay estate tax on reversionary or remainder interests in property

Disclaimer

The CARES Act program details discussed in this presentation are current as of 8:00 a.m., April 15, 2020. Due to the current environment, the CARES Act and its interpretations are subject to change without notice.

For more detailed information please do not hesitate to contact us at 631.434.9500