

Coronavirus Aid, Relief and Economic Security Act

April 9, 2020



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Speakers



Kristi D. Kelly
Attorney
Suisman Shapiro



Theodore W. Heiser
Director
Suisman Shapiro



Raymond L. Baribeault, Jr.
Director
Suisman Shapiro



Anthony Joyce
EVP, Senior Loan Officer
Chelsea Groton

Audience Participation

We will read submitted questions and respond during Q&A, making every attempt to answer all questions within allotted time. If time does not permit, however, we will distribute responses through the Chamber's COVID-19 Resource center.

To ask a question:

- ▶ Click the Q&A button on your screen
- ▶ Type and submit your question
- ▶ Wait until the end of the scheduled content (~12:45pm)

CARES Act

▶ **What is the CARES Act?**

- ▶ Federal Law enacted on March 27, 2020 (PL 116-136)
- ▶ Followed enactment of Families First Coronavirus Response Act (FFCRA) (PL 116-127)

▶ **5 Key Highlights**

- ▶ Not just omnibus appropriations
- ▶ Clarification of the FFCRA
- ▶ Individual Relief and Stimulus
- ▶ Enhanced Unemployment Benefits
- ▶ Payroll Protection Program

CARES Act

- ▶ **The New “Economic Stimulus Law”**
- ▶ \$2.2 Trillion in Appropriations
 - ▶ Allocates \$454 billion in federal financial assistance to support businesses, states, and municipalities
- ▶ What does it *REALLY* mean to me?
 - ▶ Individual Relief
 - ▶ “The check is in the mail” (Not quite)
 - ▶ Modified/Enhanced Unemployment Compensation
 - ▶ Expanded Loans from Qualified Plans
 - ▶ FFCRA – Paid Sick Leave and expanded (paid) FMLA

CARES Act

What does it *REALLY* mean to me?

▶ Relief for Businesses

- ▶ Expansion of Emergency Economic Injury Disaster Loans (EIDLs)
- ▶ Payroll Protections Loans
- ▶ Payroll Tax Credits

CARES Act

What else did the CARES Act do?

- ▶ Clarified the FFCRA
- ▶ FFCRA
 - ▶ Enacted on March 18, 2020
 - ▶ In effect **April 1, 2020**
- ▶ Provides employees with 10 days of Paid Sick Leave for qualifying reasons related to COVID-19
 - ▶ Employees who are still working
 - ▶ Does not matter how long employee worked for employer/applies immediately to new hires too
 - ▶ Applies to all employers (public and private) with at least one employee, but fewer than 500 employees

CARES Act

FFCRA

- ▶ Expands the federal Family and Medical Leave Act (FMLA) to allow up to 12 weeks of FML for employees who cannot work due to need to care for child as a result of COVID-19-related school or child daycare closure
 - ▶ First two weeks unpaid (PSL applies)
 - ▶ Employee must be employed at least 30 days prior to leave
 - ▶ Employee must certify that no other suitable individual to care for child
 - ▶ Child defined same as in existing FMLA
- ▶ Employers get 100% reimbursement of costs for such leave, dollar for dollar
 - ▶ Instant credit against payroll taxes
 - ▶ Cost of leave includes wages and employer cost for health insurance
- ▶ CARES ACT clarifies that employers *can choose (but are not required) to exceed* set monetary caps for PSL and paid FMLA
- ▶ <https://www.suismanshapiro.com/visit-our-covid-19-information-center/>

CARES Act

Individual Relief

- ▶ **Calls for expanded Unemployment (UI) Compensation Benefits**
 - ▶ **States can agree to administer**
 - ▶ Extends UI Benefits to individuals not normally eligible for unemployment benefits:
 - ▶ furloughed or out of work as a direct result of COVID-19, for weeks of unemployment, partial unemployment, or inability to work caused by COVID-19
 - ▶ self-employed, independent contractors, "gig workers"
 - ▶ those who have exhausted existing state and federal unemployment benefit provisions
 - ▶ excluded are those with ability to telework with pay and those receiving paid sick leave or other paid benefits, even if they otherwise satisfy the criteria for unemployment

CARES Act

Individual Relief

- ▶ Expanded Unemployment (UI) Compensation Benefits
 - ▶ States can agree to
 - ▶ Extend weeks of benefits up to 39 weeks
 - ▶ includes any unemployment benefits or extended benefits received under existing state or federal law, unless further extended by law at a later date
 - ▶ 26 weeks under CT law plus an additional 13 weeks
 - ▶ Supplemental \$600 per week in addition to the amounts customarily available for unemployment under state law from the date of the law's enactment through July 31, 2020
 - ▶ Federally funded – not charged to employers
 - ▶ The additional unemployment compensation provided is not considered “income” for purposes of Medicaid and CHIP

CARES Act

Individual Relief

- ▶ **Expanded Unemployment (UI) Compensation Benefits**
 - ▶ Connecticut does not yet have agreement in place with the federal government to administer these enhanced benefits
 - ▶ Connecticut DOL UI division is administering UI benefits in accordance with its own guidance, currently
 - ▶ According to the DOL (as of yesterday), they are just now processing individual claims from March 21, 2020
 - ▶ Substantial delay in benefits reaching employees
 - ▶ Same for individual claims and Shared Work-type claims
- ▶ <http://www.ctdol.state.ct.us/DOLCOVIDFAQ.PDF>

CARES Act

Individual Relief

- ▶ Financial Stimulus

- ▶ Direct economic stimulus payments of:

- ▶ \$1,200 to Americans making \$75,000 or less (\$150,000 in the case of joint returns and \$112,500 for head of household) and
 - ▶ \$500 for each child,
 - ▶ to be paid "as rapidly as possible"

CARES Act

Individual Relief

▶ Tax Credit

- ▶ Tax year 2020, "eligible individual" taxpayers can benefit from a tax credit equal to the sum of:
 - ▶ \$1,200 for single filers (\$2,400 for those filing a joint return) plus
 - ▶ an amount equal to the product of \$500 multiplied by the number of qualifying children
- ▶ "Phased-out" by 5% of the amount by which such eligible taxpayer's adjusted gross income exceeds: \$150,000 for joint-filers, \$112,500 for heads of household, and \$75,000 for all other types of filers

CARES Act

Individual Relief

▶ Qualifying Distribution from Qualified Plans

- ▶ Coronavirus-related distributions made from both eligible employer sponsored retirement plans and individual retirement accounts (IRAs)
- ▶ Exempt from the 10% early distribution penalty tax
 - ▶ Except if aggregate amount of distributions from all employer plans to individual exceeds \$100,000
- ▶ Distributions are subject to regular income tax (over three years)

▶ Increased Max on Loans from Qualified Employer plan

- ▶ 180-day period beginning March 27, 2020
- ▶ Increased from \$50,000 to \$100,000
- ▶ Due date of any loan delayed for one year
- ▶ Generally waives the minimum distribution requirements for most employer plans

CARES Act

Relief for CT Businesses

- ▶ Supplements or expands existing emergency relief
 - ▶ Economic Injury Disaster Loan Program (EIDL)
 - ▶ Existing SBA loan program
 - ▶ Assists businesses, renters and homeowners located in regions affected by declared disasters
 - ▶ Emergency \$10,000 Grant (EIDL)
 - ▶ Grants available to Connecticut manufacturers
 - ▶ Through April, preference given to manufacturers of PPE
 - ▶ <https://ctmvp.ccat.us>
- ▶ HEDCO/DECD/CMBI – COVID-19 Response Program
 - ▶ \$20,000 Line of Credit for Small Businesses – Women or Minority Owned

CARES Act

Relief for CT Businesses

▶ Employee Retention Tax Credit for Employers

- ▶ Credits to qualified employers for employment taxes for their retained employees
 - ▶ Qualified Employers
 - ▶ full or partial business suspension due to a government (federal, state or local) order within a particular calendar quarter
 - ▶ Employers will qualify on a quarterly basis if gross receipts for the employer for a quarter are 50% or less than gross receipts for the same quarter in the prior year until gross receipts exceed 80% for a quarter using the same year over year comparison
- ▶ Credits capped at 50% of the qualified wages of each retained employee up to a total of \$10,000 per calendar quarter
- ▶ 501(c)(3) charitable organizations will qualify for the credits without restriction

CARES Act

Relief for CT Businesses

- ▶ **Employee Retention Tax Credit for Employers**
 - ▶ Not eligible for credit if taking advantage of the Small Business Interruption Loan
 - ▶ Intention is to provide Instant relief
 - ▶ Allows most employers to defer paying their share of applicable employment taxes from March 27, 2020 through December 31, 2020
 - ▶ Employers will still withhold the payroll taxes from employees in their paychecks
 - ▶ Half of deferred amount due on December 31, 2021 and the other half by December 31, 2022

CARES Act

Relief for CT Businesses

▶ Expanded Emergency Economic Injury Disaster Loans (EIDLs)

- ▶ Covered Period: January 31, 2020 - December 31, 2020
- ▶ EIDL eligibility is greatly expanded
 - ▶ To any business with less than 500 employees operating under a sole proprietorship or as an independent contractor, and any cooperative, ESOP and tribal small business concern with not more than 500 employees
 - ▶ The number of employees is determined together with affiliates
- ▶ EIDLs may be approved solely on the bases of an applicant's credit score or by use of alternative methods to gauge ability to repay
- ▶ Advance of up to \$10,000 within three days of receipt of application, subject to verification that the entity is eligible under program
- ▶ The advance may be used for any allowable purposes under §7(b)(2) of the Small Business Act and is not subject to repayment, even if the loan request is ultimately denied

CARES Act

Relief for CT Businesses

- ▶ **Emergency Economic Injury Disaster Loans (EIDLs)**
 - ▶ CARES Act waives:
 - ▶ the requirement of personal guarantees for loans up to \$200,000,
 - ▶ requirement that borrower must be in business for a year (but must be in operation on January 31, 2020), and
 - ▶ the credit elsewhere test
 - ▶ Establishes that an emergency involving federal primary responsibility determined to exist by the President under Section 501(b) of the Stafford Disaster Relief and Emergency Assistance Act
 - ▶ qualifies as a new trigger for EIDLs

CARES Act

Payroll Protection Program

- ▶ \$349 Billion Appropriated
- ▶ 100% federally-back loans
 - ▶ backed by Small Business Administration (SBA)
- ▶ Eligible borrowers work directly with SBA-qualified lenders
- ▶ https://www.sba.gov/sites/default/files/resource_files/CT_Lenders_Fiscal_Year_2020.pdf

Payroll Protection Program

Overview

- ▶ Covered loan - February 15, 2020 to June 30, 2020
- ▶ Interest rates cannot exceed 1%
- ▶ Maximum maturity of 2 years
- ▶ Zero fees – SBA pays fees
- ▶ No prepayment penalty for any payment made on the loan before December 31, 2020
- ▶ All lenders offer the same terms

Payroll Protection Program

Who is eligible?

- ▶ Businesses and specific nonprofit organizations with 500 or fewer employees (based on location) or less than \$12M in revenue
- ▶ Nonprofit veterans organizations and Tribal business concerns that meet the SBA size standard
- ▶ Sole proprietors, independent contractors, and self-employed individuals
- ▶ Businesses and organizations must have been in operation on February 15, 2020 and paid employees or independent contractors
- ▶ Employers located in US or territories

Payroll Protection Program

Eligibility

- ▶ Individuals who operate as a sole proprietor, independent contractors, or self-employed must have been in operation on February 15, 2020
- ▶ Borrowers must have been in operation on February 15, 2020, and employed either salaried employees subject to payroll taxes or paid independent contractors

Payroll Protection Program

How much can I borrow?

▶ For Non-Seasonal Employers

- ▶ 2.5 x Average total monthly payroll costs for 2019, up to \$10 million

▶ For Businesses Not Operational in 2019

- ▶ 2.5 x Average total monthly payroll costs incurred for January and February 2020, up to \$10 million

▶ For Seasonal Employers

- ▶ 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, up to \$10 million

Payroll Protection Program

What can I use loan proceeds for?

- ▶ Payroll support, such as:
 - ▶ employee salaries or commissions (capped at \$100k)
 - ▶ paid sick or medical leave
 - ▶ insurance premiums
 - ▶ salaries of owners included
- ▶ Mortgage or rent payments
- ▶ Utilities
- ▶ Interest on any other debt obligations incurred before the covered period
- ▶ At least 75% of the loan must be used for payroll

Payroll Protection Program

Payroll costs do not include:

- ▶ Any compensation for non-US based employees
- ▶ The compensation for an individual employee in excess of \$100,000
- ▶ Federal employment taxes imposed or withheld between February 15, 2020 and June 30, 2020, including employee's and employer's share of FICA and Railroad Retirement Act
- ▶ Qualified sick and family medical leave wages for which a credit is allowed under FFCRA
- ▶ Payments to Independent Contractors

Payroll Protection Act

Applications

Payroll Protection Program

Applications

- ▶ Lenders commenced accepting applications on April 3, 2020
 - ▶ Program ends June 30, 2020, or when funds run out
 - ▶ Recommended: Apply sooner rather than later
- ▶ April 3, 2020 for small businesses, specific nonprofit organizations, sole proprietorships
- ▶ April 10, 2020 for independent contractors and self-employed

Payroll Protection Program

Lender Requirements

- ▶ Loans are available and approved through SBA-certified lenders
- ▶ Typical loan requirements are waived
 - ▶ i.e. borrower is unable to obtain credit elsewhere for loans under the program
- ▶ Personal guarantees of owners are not required
- ▶ Collateral is not required to be posted
- ▶ Loans are guaranteed by the SBA
- ▶ The SBA pays processing costs for loans to the lender

Payroll Protection Program

Lender Requirements

- ▶ Borrowers must certify
 - ▶ they meet the eligibility criteria above
 - ▶ were impacted by current economic uncertainty, and
 - ▶ they will use the funds for allowable uses

Payroll Protection Program

Calculations and Documentation

- ▶ Calculate employee wages for 2019
 - ▶ excluding costs over \$100,000 on an annualized basis for each employee
 - ▶ including paid time off, sick pay, and family medical pay
- ▶ Employees' principal residence must be within the U.S
- ▶ Withholding for state and local taxes on employee compensation
- ▶ Documentation substantiating amounts paid for employee health insurance for 2019
- ▶ Documentation substantiating amounts paid for retirement plan funding for 2019

Payroll Protection Program

Calculations and Documentation

- ▶ Average monthly payroll for 2019
- ▶ Number of employees in your business or organization
- ▶ Specific uses for loan money
- ▶ List of owners who hold at least 20% ownership
- ▶ Payroll Documentation
 - ▶ Payroll processing records
 - ▶ Payroll tax filings or Form 1099-MISC
 - ▶ Income and expenses for a sole proprietorship
 - ▶ If you do not have these documents, other documentation such as bank records that demonstrate the qualifying payroll amount may be used

Payroll Protection Program

Loan Forgiveness

- ▶ Loans can be forgiven when used for payroll costs, mortgage interest, and utilities
- ▶ The borrower is eligible for loan forgiveness equal to the amount spent by the borrower during an 8-week period after the origination date of the loan for:
 - ▶ payroll costs,
 - ▶ interest payment on any mortgage incurred prior to February 15, 2020,
 - ▶ payment of rent on any lease in force prior to February 15, 2020, and
 - ▶ payment on any utility for which service began before February 15, 2020

Payroll Protection Program

Loan Forgiveness

- ▶ Borrowers who re-hire workers who have been previously laid off will not be penalized for having a reduced payroll at the beginning of the period
- ▶ Amounts forgiven are treated as cancellation of indebtedness by the lender. Amounts forgiven are paid by the SBA to the lender
- ▶ For tax purposes, loan forgiveness is excluded from gross income
- ▶ Borrowers may not take payroll tax credits for same payroll expenses covered by PPP loan
- ▶ \$10,000 EIDL Grant subtracted from forgiveness amount

Payroll Protection Program

Loan Forgiveness

- ▶ The amount of loan forgiveness shall be reduced by:
 - ▶ dividing the average number of full-time equivalent employees per month during the covered period by:
 - ▶ the average number of full-time equivalent employees for the period beginning on February 15, 2019 and ending on June 30, 2019; or
 - ▶ the average number of full time equivalent employees beginning on January 1, 2020 and ending on February 29, 2020
- ▶ Loan forgiveness shall be reduced by the amount of any reduction in total salary or wages that is in excess of 25% of the total salary or wages of the employee during the most recent full quarter
- ▶ Employers encouraged to bring furloughed/laid off workers back
 - ▶ until June 30, 2020 to bring workers back

Payroll Protection Program

Loan Forgiveness

- ▶ Borrowers seeking loan forgiveness must submit documentation to lender of:
 - ▶ the amount of full-time equivalents,
 - ▶ payroll tax filings,
 - ▶ state income filings,
 - ▶ state payroll filings,
 - ▶ unemployment insurance filings,
 - ▶ cancelled checks and invoices for payments on mortgage obligations, covered lease obligations, and covered utility payments
- ▶ Lender has 60 days to respond to request

QUESTION & ANSWER

Contact Us

*Thank you for attending
today's webinar.*



Kristi D. Kelly
Attorney
Suisman Shapiro
(860) 271-2223
kkelly@sswbqq.com

Theodore W. Heiser
Director
Suisman Shapiro
(860) 271-2210
theiser@sswbqq.com

Raymond Baribeault, Jr.
Director
Suisman Shapiro
(860) 271-2259
rbaribeault@sswbqq.com

Anthony Joyce
EVP, Senior Loan Officer
Chelsea Groton Bank
(860) 448-4107
ajoyce@chelseagroton.com