

Four Ways the CARES Act Can Help Your Business

Compare and Contrast the Major Provisions
for Business Owners

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From loans to tax breaks to credits, the CARES Act attempts to provide relief to small- and medium-sized businesses. As unemployment numbers reach an all-time high, the government is looking for ways to keep Americans employed by helping employers meet payroll.

There are four main provisions in the CARES Act that can help you as a business owner: the Paycheck Protection Program, Economic Injury Disaster Loans, the Employee Retention Credit, and the delay of employer payroll tax payments.

Each has its own purpose, and if you take advantage of some provisions, you may not be eligible for others. So take note of what each option offers to determine which is right for your business.



Paycheck Protection Program

The Paycheck Protection Program is designed to give businesses capital needed to meet payroll, thus avoiding employee layoffs. If you meet the loan requirements for the use of funds, the loan can be forgiven in full, essentially turning the loan into a grant. However, many of the lenders (namely banks) have additional requirements – so check with your bank for its requirements or work with a local lender.

Amount: 2.5 times your average total monthly payroll costs, up to \$10 million.

Time frame: Applications opened April 3 for most employers and April 10 for self-employed individuals and independent contractors. The loan program will end on June 30, 2020.

Loan terms: Term of loan is two years with a 1% interest rate. Loans are forgivable if used for certain expenses within 8 weeks of loan proceeds being distributed.

Loan source: Bank or other private lenders

Qualifiers: You must have 500 employees or less, good faith certification that loan is necessary to support ongoing operations in light of current economic conditions, and that funds will be used to retain workers, payroll, or make utility payments.

Forgiveness: At least 75% of the forgiven amount must come from payroll costs, with the rest coming from mortgage interest or rent and utility payments. The loan can be forgiven for any of these costs incurred eight weeks following the loan origination.

More information: [SBA Website](#) (Note that banks will likely have their own application in place of or in addition to the SBA application)



Employee Retention Credit

The IRS' Employee Retention Credit is designed to help employers make up payroll costs on wages paid after March 12, 2020, and before January 1, 2021.

While the size of the company determines how many of your employees are eligible, it is important to note that if you are part of the Paycheck Protection Program, you do not qualify for the Employee Retention Credit.

Amount: This depends on the size of the company. If you have 100 or less employees, you receive 50% of employee wages up to \$10,000 per employee, making the maximum credit paid to any employee \$5,000. For companies larger than 100 employees, you will receive the same amount, but only for employees who did not or have not worked.

Credit source: IRS

Qualifiers: You were forced to suspend or stop work due to government regulation, or your gross receipts declined 50% from the prior year's quarter.

Fund uses: This credit is only looking at employee wages, but it does include health plan expenses. The credit is fully refundable and counts directly against the employer share of Social Security taxes with respect to all employee wages paid in that quarter.

Stipulation: You cannot apply for the Employee Retention Credit if you are a recipient of the Paycheck Protection Program loan.

More information: [FAQ on the IRS Website](#)

Economic Injury Disaster Loan

The Economic Injury Disaster Loan is meant to help businesses through disasters, and part of the loan process is designed to get cash to business owners fast to help meet payroll and short-term expenses. The application goes directly to the SBA, and loans are reviewed in as little as two business days for up to \$10,000. If you need help meeting payroll immediately, EIDL can help you bridge the gap before the Paycheck Protection Program kicks in. Under the EIDL program, you can receive up to \$2 million, and in some cases you might be able to roll that in the PPP and have that loan forgiven.

Amount: \$10,000 (forgivable), \$2 million total (as loan)

Loan source: SBA

Qualifiers: Independently owned businesses that have been impacted by a disaster, including COVID-19.

Fund uses: Payroll costs, sick leave, rental costs, repaying obligations, increased costs for materials

Forgiveness: Generally, Economic Injury Disaster Loans are not forgiven. The interest rate is 3.75% and can be repaid on a term up to 30 years. Terms are determined on a case-by-case basis. In some situations, the loan might be refinanced into the PPP program. The first \$10,000 is considered a grant and does not have to be repaid if in response to the COVID-19 pandemic. However, any additional funds need to be rolled into the Paycheck Protection Program as a loan to be forgiven (which is also forgivable under its own guidelines).

More information: [SBA's EIDL Application](#)



Delay of Payment of Employer Payroll Taxes

With businesses in need of immediate cash flow, the IRS has delayed the payments of employer-side payroll taxes, FICA for most businesses. You will have no payments due this year – instead, you'd have 50% due on Dec. 31, 2021, and 50% due Dec. 31, 2022.

The only stipulation is that you are not also in the Paycheck Protection Program.

Amount: Delay employer-side payroll liabilities (FICA), with 50% due Dec. 31, 2021, and the remainder due Dec. 31, 2022. This can also be used for self-employed individuals to push off the employer-side payroll liabilities (half of SECA).

Source: IRS (Secretary of the Treasury)

Qualifiers: None, other than being in business during the calendar year 2020.

Fund uses: Delaying employer payroll tax payments can open up cash relief right now for companies that need it.

Stipulation: If you are part of the Paycheck Protection Program, you cannot delay paying employer payroll taxes.

More information: [Guidance from the IRS](#)



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