

Federal Loan Assistance For Businesses Affected By Coronavirus- Summary

LARRY GRUDZIEN

ATTORNEY AT LAW

HOWARD LAPIN

ATTORNEY AT LAW

Agenda

- Introduction
- Small Business Loans
- Comparing EIDL with PPP
- Other Loans and Financial Assistance
- Employment and Compensation Support
- Recommended Courses of Action
- How we can help
- Questions

Introduction

Introduction

- On March 27, 2020, Congress approved the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to provide financial assistance to individuals and businesses, which in aggregate greatly exceeds the financial package Congress previously enacted to address the 2008 financial crisis.
- The Cares Act, which is the third major piece of bipartisan legislation to address the crisis created by the COVID-19 pandemic, includes approximately \$2 trillion in assistance to individual and businesses.
- A total of \$500 billion is authorized for direct loans and guarantees, of which \$454 billion is provided to the Federal Reserve to support its lending facilities and \$29 billion will be for direct lending to passenger and cargo air carriers.

Introduction

- An additional \$367 billion is available to assist small businesses through the Small Business Administration (SBA).
- In addition, the Cares Act contains a number of provisions aimed at granting temporary regulatory relief.
- Despite the enormity of the assistance provided by the CARES Act, additional financial assistance legislation is expected if the duration of the national emergency extends beyond a short period of time.

Small Business Loans

Small Business Loans

Paycheck Protection Program

- This loan program provides loan forgiveness for retaining employees by temporarily expanding the traditional SBA 7(a) loan program.

EIDL Loan Advance

- This loan advance will provide up to \$10,000 of economic relief to businesses that are currently experiencing temporary difficulties.

SBA Express Bridge Loans

- Enables small businesses who currently have a business relationship with an SBA Express Lender to access up to \$25,000 quickly.

SBA Debt Relief

- The SBA is providing a financial reprieve to small businesses during the COVID-19 pandemic.

Small Business Loans

Paycheck Protection Program (PPP)

- Authorizes \$349 billion for businesses to obtain loans of up to \$10 million per applicant to be used on payroll, benefits, rent and other costs from February 15, 2020 through June 30, 2020.
- A substantial portion of the loan principal may be forgiven, but loan forgiveness is subject to reduction if staffing and salary levels are reduced and not restored.
- With some exceptions, such as restaurants and hotels, loan eligibility requires an aggregate employee headcount for the applicant and its "affiliates" of fewer than 500 employees.
- No personal guarantees or collateral is required for PPP loans.
- The formula for determining the size of the loan is tied to payrolls costs of the particular business.

Small Business Loans

Paycheck Protection Program (PPP)

- **Who Can Apply?**
 - This program is for any small business with less than 500 employees (including sole proprietorships, independent contractors and self-employed persons), private non-profit organization or 501(c)(19) veterans organizations affected by coronavirus/COVID-19.
 - Businesses in certain industries may have more than 500 employees if they meet the SBA's size standards for those industries.
 - Small businesses in the hospitality and food industry with more than one location could also be eligible if their individual locations employ less than 500 workers.

Small Business Loans

Paycheck Protection Program (PPP)

- **Who Can Apply?**

- Eligible companies must have been in operation on February 15, 2020 and must have, as of that date, had employees for whom the entity paid salaries and payroll taxes, or paid independent contractors.
- A borrower must certify that the uncertainty of current economic conditions makes necessary the loan request to support the ongoing operations of the eligible recipient and acknowledge that the funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments, and utility payments.
- The borrower also must certify that it is eligible for a PPP loan under the CARES Act and guidance in place as of the application date.
- These and other certification requirements are significant, as false or misleading certifications could potentially give rise to civil False Claims Act liability or criminal penalties.

Small Business Loans

Paycheck Protection Program (PPP)

- **Loan Details and Forgiveness**

- The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities (due to likely high subscription, at least 75% of the forgiven amount must have been used for payroll).
- Loan payments will also be deferred for six months.
- No collateral or personal guarantees are required.
- Neither the government nor lenders will charge small businesses any fees.

Small Business Loans

Paycheck Protection Program (PPP)

- **Loan Details and Forgiveness**

- The maximum amount of a PPP loan available to each borrower is equal to the lesser of:
 - \$10 million, or
 - 2.5 x its average total monthly payroll costs.
- The average monthly payroll costs should be calculated over the 12-month period preceding the application, but the application form itself states that monthly payroll costs will be calculated using 2019 payroll costs for most applicants.

Small Business Loans

Paycheck Protection Program (PPP)

- **Loan Details and Forgiveness**

- Eligible payroll expenses for calculating PPP loan amounts include:
 - Compensation (salary, wages, commission, or similar compensation, cash tips, etc.)
 - Payment for vacation, family, medical, and sick leave
 - Allowance for employee dismissal or separation
 - Payment for group health-care benefits, including insurance premiums
 - Payment of employee retirement benefits
 - Payment of state and local taxes imposed on the compensation of employees

Small Business Loans

Paycheck Protection Program (PPP)

- **Loan Details and Forgiveness**

- The PPP does not count the following expenses when calculating the total PPP reimbursement amount:
 - Any compensation over \$100,000 per employee
 - Taxes imposed under chapters 21 (payroll taxes), 22 (railroad taxes and retirement benefits), and 24 (income taxes withheld on wages) of the Internal Revenue Code (IRC)
 - Compensation of employees whose principal place of residence is outside the United States
 - Qualified sick and family leave for which a credit is already allowed under other sections (i.e., 7001 and 7003) of the Family First Coronavirus Response Act
 - Loans used for duplicate purposes of another SBA loan program already claimed by the applicant

Small Business Loans

Paycheck Protection Program (PPP)

- **Loan Details and Forgiveness**

- Once an eligible small business or contractor receives the loan, they may use it for the following:
 - Payroll costs
 - Costs related to the continuation of group health-care benefits during periods of paid sick, medical, or family leave and insurance premiums
 - Employee's salaries, commissions, or similar compensation
 - Payments of interest on any mortgage obligations (not including prepayment fees or payment of principal on the mortgage itself)
 - Rent (including rents under a lease agreement)
 - Utilities
 - Interest on any other debt obligations that were incurred before the relevant covered period

Small Business Loans

Paycheck Protection Program (PPP)

- **Loan Details and Forgiveness**

- Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels.
- Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease.
- This loan has a maturity of 2 years and an interest rate of 1%.
- If an employer wishes to begin preparing its application, the employer can download a copy of the PPP borrower application form to see the information that will be requested from you when you apply with a lender.

Small Business Loans

Paycheck Protection Program (PPP)

- **Loan Details and Forgiveness**

- the SBA will fully forgive all loans under the PPP provided three requirements are met:
 - Loans are used exclusively for their intended purposes (see previous slide)
 - Loans are used to offset no more than eight weeks (the maximum amount of time payroll expenses would be fully offset) of eligible payroll expenses
 - Businesses retain employees at salary levels comparable to before the crisis

Small Business Loans

Paycheck Protection Program (PPP)

- **Loan Details and Forgiveness**

- For any amount of the loan used that does not meet the above criteria, businesses will have to repay the SBA.
- The Program provides businesses with a maximum repayment window of 10 years with a top interest rate of 4 percent, without loan fees or prepayment penalties.
- This loan has a maturity of 2 years and an interest rate of 1%.

Small Business Loans

Paycheck Protection Program (PPP)

- **Loan Details and Forgiveness**
 - Calculating which costs qualify for loan forgiveness is determined by a formula, designed to enable businesses to maintain payroll and retain employees without substantially reducing employee compensation:
 - Forgivable portion (FP) = Payroll costs (PC) + any applicable mortgage interest payments (MIP) + any covered utility payment (UP), or:
 - $FP = PC + MIP + UP$

Small Business Loans

Paycheck Protection Program (PPP)

- If a business claims a PPP loan, they are not eligible for :
 - the Employee Retention Credit (which would provide a refundable payroll tax credit for 50 percent of wages paid by eligible employers to certain employees during the COVID-19 crisis) or
 - the deferment of payment of employer payroll taxes until 2021.

Small Business Loans

Paycheck Protection Program (PPP)

Review of Borrower Application Form

<https://www.sba.gov/sites/default/files/2020-04/PPP%20Borrower%20Application%20Form.pdf>

Small Business Loans

Economic Injury Disaster Loans (EIDL)

- Expands the SBA's economic injury disaster loans program to small businesses that suffer substantial economic injury as a result of COVID-19.
- An initial advance of up to \$10,000 may be issued within three days of application and is not required to be repaid.
- The remainder of the loan will bear a low interest rate, and may be obtained in addition to a PPP loan, so long as both loans are not used for the same purpose.

Small Business Loans

Economic Injury Disaster Loans (EIDL)

- **Eligibility:**

- The SBA's Economic Injury Disaster Loan provides vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing as a result of the COVID-19 pandemic.
- This program is for any small business with less than 500 employees (including sole proprietorships, independent contractors and self-employed persons), private non-profit organization or 501(c)(19) veterans organizations affected by COVID-19.
- Businesses in certain industries may have more than 500 employees if they meet the SBA's size standards for those industries.

Small Business Loans

Economic Injury Disaster Loans (EIDL)

- **LOAN PARAMETERS**

- The maximum EIDL is a \$2 million working capital loan at a rate of 3.75% for businesses and 2.75% for non-profits with up to a 30-year term.
- Payments on Coronavirus EIDL loans are deferred for one year.
- Up to \$200,000 can be approved without a personal guarantee.
- Approval can be based on a credit score and no first-year tax returns are required.

Small Business Loans

Economic Injury Disaster Loans (EIDL)

- **LOAN PARAMETERS**

- Borrowers do not have to prove they could not get credit elsewhere
- No collateral is required for loans of \$25,000 or less.
- For loans of more than \$25,000, general security interest in business assets will be used for collateral instead of real estate.
- The borrowers must allow the SBA to review its tax records.

Small Business Loans

Economic Injury Disaster Loans (EIDL)

- **COVID-19 ECONOMIC INJURY DISASTER LOAN APPLICATION:**
- <https://disasterloan.sba.gov/ela/>

Small Business Loans

Economic Injury Disaster Loans (EIDL)

- **Access an EMERGENCY \$10,000 GRANT**

- Eligible applicants for an EIDL can receive a \$10,000 emergency grant within three days of application (through Dec. 31, 2020)
- There is no obligation to repay the grant.
- To receive the \$10,000 emergency grant, it is not necessary to have an approved EIDL loan.
- However, if you are able to secure a PPP loan, the \$10,000 grant will be subtracted from the forgiveness amount

Small Business Loans

SBA Express Bridge Loans

- Express Bridge Loan Pilot Program allows small businesses who currently have a business relationship with an SBA Express Lender to access up to \$25,000 quickly.
- These loans can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing and can be a term loans or used to bridge the gap while applying for a direct SBA Economic Injury Disaster loan.
- If a small business has an urgent need for cash while waiting for decision and disbursement on an Economic Injury Disaster Loan, they may qualify for an SBA Express Disaster Bridge Loan.
- **Terms**
 - Up to \$25,000
 - Fast turnaround
 - Will be repaid in full or in part by proceeds from the EIDL loan

Small Business Loans

SBA Debit Relief

- The SBA will automatically pay the principal, interest, and fees of current 7(a), 504, and microloans for a period of six months.
- The SBA will also automatically pay the principal, interest, and fees of new 7(a), 504, and microloans issued prior to September 27, 2020.
- Additional Debt Relief
- For current SBA Serviced Disaster (Home and Business) Loans: If your disaster loan was in “regular servicing” status on March 1, 2020, the SBA is providing automatic deferments through December 31, 2020.

Comparing EIDL with PPP

Comparing EIDL with PPP

Who Qualifies?

- **EIDL:** To qualify, you must be:
 - a small business, cooperative, ESOP or tribal business with 500 or fewer employees;
 - An individual who operates under as a sole proprietorship, with or without employees, or as an independent contractor; or
 - A private non-profit or small agricultural cooperative;
 - Your business must be directly affected by COVID-19.

Who Qualifies?

- **PPP:** The following businesses may be eligible:
 - Small businesses or non-profit 501(c)(3) organizations with 500 or fewer employees; small businesses,
 - 501(c)(19) veteran's organizations or tribal concerns that meet the SBA size standards (See SBA size standards here);
 - sole proprietors or independent contractors;
 - Businesses in the food or hospitality industry (NAICS codes beginning in (72) may be eligible on a per location basis; normal affiliation rules are waived for franchises or businesses receiving financial assistance from an SBIC.

Comparing EIDL with PPP

Maximum Loan Amount

- EIDL: \$2 million
- PPP: \$10 million

Must Be In Business By

- EIDL: January 31, 2020
- PPP: February 15, 2020

Comparing EIDL with PPP

ALLOWABLE USE OF FUNDS

- **EIDL:**
 - In addition to the use of funds for the grant, EIDLs are working capital loans may be used to pay fixed debts, payroll, accounts payable, and other bills that could have been paid had the disaster not occurred.
 - The loans are not intended to replace lost sales or profits or for expansion.
 - Funds cannot be used to pay down long-term debt.

ALLOWABLE USE OF FUNDS

- **PPP:**
 - Loan proceeds may be used for:
 - payroll costs;
 - costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums;
 - employee salaries, commissions, or similar compensations;
 - payments of interest on any mortgage obligation (but not to pay principal or to prepay a mortgage)
 - rent (including rent under a lease agreement);
 - utilities;
 - interest on any other debt obligations that were incurred before the covered period
 - refinancing an SBA EIDL loan made between January 31, 2020 and April 3, 2020

Comparing EIDL with PPP

Grand/ Forgiveness

- **EIDL:**
 - The Economic Injury Disaster Loan includes a emergency grant of up to \$10,000 to be made within three days of application.
 - These grants do not have to be repaid as long as funds are used for:
 - providing paid sick leave to employees unable to work due to the direct effect of the COVID-19;
 - maintaining payroll to retain employees during business disruptions or substantial slowdowns;
 - meeting increased costs to obtain materials unavailable from the applicant's original source due to interrupted supply chains;
 - making rent or mortgage payments; and
 - repaying obligations that cannot be met due to revenue losses.

Grant/Forgiveness

- **PPP:**
 - The employer can request forgiveness of the principal portion of the loan for the eight week period after you get the loan that covers:
 - Payroll costs
 - Interest on a mortgage
 - Rent
 - Utilities
 - No more than 25% of the forgiven amounts may be for non-payroll costs.
 - Your loan forgiveness will be reduced if you decrease your full-time employee headcount
 - It will also be reduced if you decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annually in 2019.
 - You may also receive forgiveness for additional wages paid to tipped workers. There is a provision that allows you to rehire employees to qualify for forgiveness

Comparing EIDL with PPP

Personal Guarantee

- EIDL: Only for loans above \$200,000
- PPP: No.

Collateral Requirements

- EIDL: Yes for loans over \$25,000
- PPP: No

Comparing EIDL with PPP

Funding Timeframe

- **EIDL:**

- The legislation states the \$10,000 grant is to be made within three days of application.
- The next disbursement of \$25,000 may take a few weeks due to record loan volume.

- **PPP:**

- Lenders will begin to accept applications beginning April 3 for small businesses and sole proprietors and April 10, 2020 for independent contractors and self-employed individuals.
- While everyone is trying to make this a fast process, it will depend on how quickly lenders can ramp up to process and fund the loans.

Comparing EIDL with PPP

Interest Rate

- **EIDL:** 3.75% or 2.75% for non profits.
- **PPP:** 1% on any remaining balance after forgiveness

Repayment Period

- **EIDL:** 10 years
- **PPP:** 2 years for any balance not forgiven
 - It's expected that most PPP balances will qualify for forgiveness, which explains the shorter repayment period.

Comparing EIDL with PPP

Payment Deferrals

- **EIDL:** Payments are deferred for a year.
- **PPP:** Payments are deferred for at least six months.

Credit Requirements

- **EIDL:** A personal credit check is required for all owners with 20% or more ownership.
 - A business credit report from Dun & Bradstreet is standard on Disaster Loans.
 - However, if your application is turned down you can still keep the \$10,000 advance.
- **PPP:** None is required

Comparing EIDL with PPP

Which Is Better for My Business: EIDL or PPP?

- Ultimately, this is an individual decision that will depend on a number of factors, including how much you qualify for, how you plan to use the funds and whether you expect to benefit substantially from forgiveness under PPP. Our advice is to do the following:
- Read the [FAQs on the EIDL](#) and [FAQs on the PPP](#). Both are updated frequently.
- Use a [free CARES Act SBA loan calculator](#) to determine how much you may qualify for
- Consult with your tax, legal or financial advisor to make the right choice for your business.

Loans and other Financial Assistance

Loans and other Financial Assistance

Economic Stabilization and Assistance to Severely Distressed Sectors of the United States Economy

- The CARES Act allocates \$500 billion to the Secretary of the Treasury to provide loans, loan guarantees and other investments in support of eligible businesses, states and municipalities as follows:
 - Up to \$25 billion for passenger air carriers, ticket agents and certain other air carrier related businesses;
 - Up to \$4 billion for cargo air carriers;
 - Up to \$17 billion for businesses critical to maintaining national security (not defined); and
 - Up to \$454 billion (plus any amounts not funded under the foregoing allocations) to make loans and loan guarantees to, and other investments in, certain programs or facilities established by the Board of Governors of the Federal Reserve System (the “Fed”) for the purpose of providing liquidity to the financial system that supports lending to eligible businesses, states, or municipalities.

Loans and other Financial Assistance

Economic Stabilization and Assistance to Severely Distressed Sectors of the United States Economy

- An “eligible business” is either an air carrier or a United States business that has not otherwise received adequate economic relief in the form of loans or loan guarantees provided under the CARES Act.

Loans and other Financial Assistance

Loans to Air Carriers and National Security Businesses

- The CARES Act authorizes loans or loan guarantees to air carriers or national security businesses in the discretion of the Secretary of the Treasury meeting the following criteria:
 - Credit is not otherwise reasonably available to the borrower;
 - The loan is “sufficiently secured”, or has an interest rate appropriate for the risk (if practicable, determined as the market interest rate for a similar loan that would have prevailed prior to the COVID-19 emergency);
 - A tenor of no more than 5 years (or shorter, if practicable);
 - Either the Secretary of the Treasury must receive a warrant or equity interest in the borrower or, if the borrower’s equity is not publicly traded or the borrower cannot issue a warrant or other equity, a senior debt instrument issued by the borrower;
- Neither the borrower nor any of its affiliates may purchase an equity security issued by the borrower or its parent entities that is listed on a national securities exchange (other than in satisfaction of contractual obligations in place on the date the CARES Act is enacted) or pay dividends or make distributions in respect of the common stock of the borrower, during the term of the loan and for a year after the loan is repaid in full;
- To the extent practicable, the borrower must maintain March 24, 2020 employment levels until September 30, 2020, and in any case not reduce such employment levels by more than 10%;

Loans and other Financial Assistance

Loans to Air Carriers and National Security Businesses

- Neither the borrower nor any of its affiliates may purchase an equity security issued by the borrower or its parent entities that is listed on a national securities exchange (other than in satisfaction of contractual obligations in place on the date the CARES Act is enacted) or pay dividends or make distributions in respect of the common stock of the borrower, during the term of the loan and for a year after the loan is repaid in full;
- To the extent practicable, the borrower must maintain March 24, 2020 employment levels until September 30, 2020, and in any case not reduce such employment levels by more than 10%;

Loans and other Financial Assistance

Loans to Air Carriers and National Security Businesses

- The borrower must be a United States entity and have “significant operations” in, and a majority of its employees based in, the United States; and
- The continued operations of the borrower must be jeopardized as a result of the COVID-19 emergency.

Loans and other Financial Assistance

Loans to Air Carriers and National Security Businesses

- The following additional conditions apply for the period from the date of the loan through the first anniversary of the date on which the loan is repaid in full:
 - Compensation of any officer or employee of the borrower whose total compensation exceeded \$425,000 in 2019 capped at such amount during any 12 consecutive months, and severance pay or other benefits upon termination of employment of such officer/employee capped at twice such amount;
 - Compensation of any officer or employee of the borrower whose total compensation exceeded \$3 million in 2019 capped during any 12 consecutive months at \$3 million plus 50% of such excess compensation; and
 - Total compensation for this purpose includes salary, bonus, award or stock and other financial benefits provided by the eligible business.

Loans and other Financial Assistance

Assistance for Mid-Sized Businesses

- The CARES Act requires the Secretary of the Treasury to “endeavor to seek the implementation” of a program or facility that provides financing to banks and other lenders that make direct loans to eligible businesses with between 500 and 10,000 employees, with such loans being subject to an annualized interest rate that is not higher than 2% per annum.
- The Secretary of the Treasury is authorized to defer the first six months of principal and interest.

Loans and other Financial Assistance

Assistance for Mid-Sized Businesses

- Any borrower applying for a direct loan under this program must certify, among other things, as follows:
 - Uncertain economic conditions make the loan necessary to support ongoing operations;
 - The proceeds of the loan will be used to retain at least 90% of the workforce at full compensation and benefits until September 30, 2020;
 - At least 90% of the workforce that existed on February 1, 2020 will be restored with all compensation and benefits no later than 4 months after termination of the COVID-19 public health emergency;

Loans and other Financial Assistance

Assistance for Mid-Sized Businesses

- Any borrower applying for a direct loan under this program must certify, among other things, as follows:
 - Uncertain economic conditions make the loan necessary to support ongoing operations;
 - The proceeds of the loan will be used to retain at least 90% of the workforce at full compensation and benefits until September 30, 2020;
 - At least 90% of the workforce that existed on February 1, 2020 will be restored with all compensation and benefits no later than 4 months after termination of the COVID-19 public health emergency;

Loans and other Financial Assistance

Assistance for Mid-Sized Businesses

- Any borrower applying for a direct loan under this program must certify, among other things, as follows:
 - The borrower is not a debtor in bankruptcy;
 - The borrower will not pay dividends with respect to its common stock or repurchase any equity security listed on a national security exchange while the loan is outstanding (except to the extent contractually required on the date the CARES Act is enacted);
 - The borrower will not outsource or offshore jobs for the term of the loan and for two years after repayment in full;
 - The borrower will not abrogate existing collective bargaining agreements for the term of the loan and for two years after repayment in full; and
 - The borrower will remain neutral in any union organizing effort for the term of the loan.

Loans and other Financial Assistance

Main Street Lending Program

- The CARES Act makes clear that nothing in the CARES Act will limit the discretion of the Fed to establish a main street lending program or other similar program or facility that supports lending to small and mid-sized businesses on terms and conditions as the Fed may set consistent with applicable law.
- Any direct loans made available under facilities and programs established by the Fed will be subject to the equity repurchase, dividend and distribution restrictions and compensation limitations set forth above under “Loans to Air Carriers and National Security Businesses”.
- The details of the programs that may be available to access the \$454 billion are largely left to the discretion of the Secretary of the Treasury to be announced in the coming weeks.

Loans and other Financial Assistance

Federal Reserve Programs and Facilities

- To date, in addition to assistance available under the CARES Act, the Fed has announced extensive measures to promote the stability of the United States financial system amidst the COVID-19 emergency.
- Among those measures include the Primary Market Corporate Credit Facility (“PMCCF”) and the Secondary Market Corporate Credit Facility (“SMCCF”). The PMCCF and the SMCCF, together with other measures announced by the Fed, will provide up to \$300 billion in new financing.
- The PMCCF and the SMCCF provide credit to large employers – the PMCCF for new bond and loan issuance and the SMCCF to provide liquidity to purchase certain outstanding corporate bonds and ETFs.

Loans and other Financial Assistance

Employee Retention Credit for Employers Affected by COVID-19

- Provides eligible employers that experience full or partial suspension of operations because of a shutdown order due to COVID-19 or significant decline in gross receipts with refundable employment tax credit for 50% of qualified wages paid to employees.
- This credit is not available to employers that receive a loan under the PPP.
- Applies to wages paid after March 12, 2020 and before January 1, 2021.
- Qualified wages are limited to \$10,000 per employee.

Loans and other Financial Assistance

Delay of Payment of Employer Payroll Taxes

- Allows employers to defer payment of the employer share of Social Security taxes that otherwise would be due between the date of enactment of the CARES Act and December 31, 2020.
- A similar deferral is available to self-employed individuals.
- Fifty percent of such deferred taxes are due December 31, 2021.
- The remaining 50% are due December 31, 2022.
- This benefit is not available to employers that have had loans forgiven under the PPP.

Loans and other Financial Assistance

Advance Refunding of Credits under Families First Coronavirus Response Act (FFCRA)

- Allows for advances of payroll tax credits as described below under the heading "Employment and Compensation - Family and Sick Leave."

Loans and other Financial Assistance

Carryback of Net Operating Losses (NOLs)

- Provides for five-year carryback of NOLs arising in tax years beginning in 2018, 2019 and 2020, although carrybacks are not permitted to offset income inclusions under the one-time "transition tax" enacted as part of the 2017 Tax Cuts and Jobs Act (TCJA).
- Corporations with NOLs arising in prior tax years beginning in 2018 or 2019 can pursue refunds resulting from the carryback.
- NOL carrybacks could be especially valuable to corporate taxpayers able to offset income in 2017 or prior years during which corporations were generally subject to a 35% federal tax rate rather than the current 21% rate.
- However, corporations that were profitable in 2018 and 2019 and are in a loss position only for the current taxable year generally will be required to wait until after the year end to claim refunds attributable to NOL carryback

Loans and other Financial Assistance

Temporary Removal of Limitation on the Use of NOLs

- Removes the limitation imposed by the TCJA prohibiting the use of NOLs to offset more than 80% of taxable net income for tax years beginning before January 1, 2021.
- The 80% limitation remains in effect for tax years beginning after December 31, 2020.

Loans and other Financial Assistance

Suspension of Excess Business Loss Limitation for Non-Corporate Taxpayers

- Suspends the \$250,000 (or \$500,000 if married filing jointly) cap on non-corporate taxpayers' ability to use net business losses to offset income for tax years beginning after December 31, 2017 through 2020.
- The limitation remains for tax years beginning after December 31, 2020 and before January 1, 2026.

Loans and other Financial Assistance

Modification of Credit for Prior Year Minimum Tax Liability of Corporations

- Accelerates the recovery of refundable credits for corporate alternative minimum tax (AMT) to no later than the taxable year beginning in 2019.
- Corporations may elect to claim the entire amount of the AMT credit for the tax year beginning in 2018.

Loans and other Financial Assistance

Modification of Limitation on Business Interest Expense

- Raises the cap on deductibility of business interest expense from 30% to 50% of adjusted taxable income (ATI) for tax years beginning in 2019 and 2020.
- For the tax year beginning in 2020, businesses may elect to use ATI for the last tax year beginning in 2019 for purposes of calculating the limitation, which will be helpful for businesses that have less income in 2020 than in 2019.

Loans and other Financial Assistance

Technical Amendment Regarding Qualified Improvement Property

- Implements technical corrections so that "qualified improvement property" (generally, improvements to the interior of non-residential real property already placed in service) is eligible for 100% bonus depreciation.

Employment and Compensation

Employment and Compensation

Employment Actions that Could Reduce SBA Loan Forgiveness Amounts

- Reduces the permitted amount of PPP loan forgiveness based on
 - workforce reductions, or
 - salary/wage reductions (for employees who made less than \$100,000 in 2019), by comparing full-time headcount and salary amounts during the eight-week period after the loan was originated to headcount and salary amounts during prior designated time periods.
- A portion of these reductions will not apply if the company rehires or eliminates the salary reductions by June 30, 2020.

Employment and Compensation

Unemployment Insurance

- Expands unemployment assistance through December 31, 2020 to certain individuals not traditionally covered under state laws (such as gig economy workers, self-employed persons, independent contractors, employees with limited work history, and those seeking part-time employment).
- Increases unemployment benefits individuals may receive under state law by \$600 per week through July 31, 2020, waives one-week waiting periods, extends maximum entitlement (from 26 weeks to 39 weeks), and extends benefits for individuals who have exhausted them.

Recommended Courses of Action

Recommended Course of Action

When should I apply?

Should I apply for both Loans

What records do I need to keep?

What are the drawbacks to receiving these loans?

Are there any tax implications?

Recommended Course of Action

- Review the requirements for both loans before apply
- Watch for other assistance in the coming weeks
- What happens if I wait too long to apply

How we can help

How can we help

- Review program requirements with you and your staff
- Make recommendations
- Review application before submission
- Answer questions
- Review compliance

Questions??????????

Contact Information

Larry Grudzien, Attorney at Law

- Phone: 708-717-9638
- Email: larry@larrygrudzien.com
- Website: www.larrygrudzien.com
- Address: 708 South Kenilworth Ave,
Oak Park, IL 60304

Howard Lapin, Attorney at Law

- Phone: 224-402-0932
- Email: how257@aol.com
- Address: 521 Harris Ct,
Buffalo Grove IL 60089