

Coronavirus Aid, Relief, and Economic Security (CARES) Act Summary

1. Paycheck Protection Program

- **Background:**
 - A new program that would provide assistance through 100% federally guaranteed loans to small employers (defined below) who maintain their payroll during the emergency.
 - If the employer maintains its payroll, then the portion of the loan used to cover payroll costs, interest on mortgage obligations, rent, and utilities in the first 8 weeks from loan origination, may be forgiven.
 - Borrower must good-faith certify that funds are needed for COVID-19 related purposes, the funds will be used to retain workers, and that their request is not duplicative with other SBA funds for the same purpose
 - Borrower cannot apply/carry both PPP and Economic Injury Disaster Loan (EIDL) for COVID-19, but can carry previous, non-COVID-19 EIDL and participate in PPP
- **Eligible Entities:**
 - Employers with 500 employees or fewer, as well as those that meet the current Small Business Administration (SBA) size standards;
 - Self-employment individuals, sole proprietors, and independent contractors; and,
 - Certain nonprofits, including 501(c)3, 501(c)19 veteran organizations, and tribal businesses with under 500 employees.
 - Note: all above entities must have been operational by February 15, 2020; had an active payroll and paid taxes
- **Eligible Expenses:**
 - Payroll, insurance, rent, mortgages, and utilities
 - Covered payroll costs include salary, wages, and payment of cash tips (up to an annual rate of pay of \$100,000), employee group health care benefits (including insurance premiums, retirement contributions, and covered leave)
- **Loan Amount:**
 - Would equal 250% of an employer's average monthly payroll; maximum loan amount would be \$10 million.
- **Interest Rates:**
 - Maximum interest rate of 4%.
- **Deferred Payments:**
 - Automatic deferral of payments on PPP loan for 6-12 months.
- **Loan Forgiveness Clause:**
 - The amount spent by the borrower in the first 8 weeks from the date of loan origination may be forgiven.
 - The amount of loan forgiveness will be reduced proportionate to the reductions in workforce as compared to the previous year.

- If rehires are made during the 8 week period, there will be no penalty for layoffs that are made early in the 8 week period.
 - Anything not forgiven or repaid by December 31st, 2020 (12/31/20) will convert to a max 10 year loan at a max interest rate of 4%; loan will remain 100% guaranteed by federal government.
- **Borrow/Lender Fees and Prepayment Penalties:**
 - None.
- **Required Collateral and Personal Guarantees:**
 - None.
- **Effective Date:**
 - This proposal would be retroactive to February 15, 2020 to help bring workers who may have already been laid off/furloughed back onto payrolls.
 - Covered loan period is February 15, 2020 through June 30, 2020

2. **SBA Emergency Injury Disaster Loan (EIDL) Enhancements and Emergency EIDL Grants**

- **Background:**
 - Expands eligibility for entities suffering economic harm due to COVID-19 to access SBA's Economic Injury Disaster Loan (EIDL) program, while also giving SBA more flexibility to disperse small dollar loans.
- **Eligibility:**
 - Expanded to include tribal businesses, cooperatives, ESOP's, individual contractors, sole proprietors, and private nonprofits with less than 500 employees.
 - SBA has overall greater flexibility in determining borrower eligibility
- **Programmatic Changes:**
 - For advances and loans below \$200,000:
 - Waives credit elsewhere requirement (the need for borrowers to prove that they cannot access credit from a traditional lender or elsewhere)
 - Waivers personal guarantee(s)
 - Waives 1-year-in-business requirement
- **Emergency Grants:**
 - Allows for entities that are eligible to apply for EIDL to request an advance in the form of an emergency grant of up to \$10,000 for the purpose of maintaining payroll, providing paid sick leave, and to service other debt obligations
 - SBA must distribute EIDL emergency grant within 3 days
 - Applicants will not be required to repay emergency grant – even if they are ultimately denied the EIDL

3. **Small Business Debt Relief**

- Will require the SBA to pay all principal, interest, and fees on all existing SBA loan products including 7(a), Community Advantage, 504, and microloan loans for six (6) months.

4. Tax Credits for Businesses

- **Employee Retention Benefit**
 - A 50% refundable payroll tax credit during COVID-19 crisis for businesses that either fully or partially shut down OR have a 50% decrease in receipts versus the same quarter in the previous year and continue to pay employees.
 - Based on qualified wages paid to employees during crisis, tied to number of employees
 - Covers up to \$10,000 paid per employee, including benefits, for the period 3/13/20-12/31/20
- Payroll tax deferred, payments to be spread over 2 years
- Net operating losses (NOLs) modification: NOLs arising FY's '18, '19, and '20 can be carried back 5 years.
- AMT credits available as refundable credits through 2021 can be claimed as a refund now.
- Allowable deductible interest expenses are increased from 30% to 50% for 2019 and 2020.

5. Unemployment Insurance

- Creates a temporary Pandemic Unemployment Assistance (PUA) program for those not traditionally covered by unemployment insurance (UI), including the self-employed, independent contractors, or those with limited work history
- Provides an additional \$600 per week in recipients of UI and PUA for up to 4 months
- Provides an additional 13 weeks of UI after state UI expires

6. Entrepreneurial and Other Small Business Assistance

- Provides \$265 million for grants to SBA resource partners, including Small Business Development Centers and Women's Business Centers, to offer counseling, training, and other related assistance to small businesses affected by COVID-19.

7. Cash Rebates to U.S. Residents

- All U.S. residents with an adjusted gross income of up to \$75,000 for individuals and \$150,000 for couples will receive a cash rebate of \$1,200 (for individuals) or \$2,400 (for couples)
- Includes all taxpayers with work-eligible SSN, including those with low or no income
- Rebate amount decreases by \$5 with for every \$100 over the threshold, with individuals AGI over \$99,000 completely phased out, \$146,000 for head of household with at least 1 child phased out, and \$198,000 for couples phased out.
- An additional \$500 will be given for each child per household.