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Coronavirus Aid, Relief, and Economic Security CARES Act Lunch & Learn

via Zoom

12:30pm
TUESDAY, APRIL 7



CARES Act



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The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed and put into law on March 27, 2020. The 854-page bill seeks to provide approximately \$2 trillion in relief and assistance to individuals, businesses, state governments, health providers and others affected by the COVID-19 outbreak.

The law addresses almost every element of the U.S. economy. The government agencies and others involved in implementation will be taking urgent action to implement its provisions over the next weeks. The following summary highlights the programs, initiatives, and relief measures created or expanded by the new law. Please note it is being designed on the fly and is a work-in-progress.



Relief for Individuals



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The CARES Act includes a number of provisions designed to provide quick relief to individuals and families left unemployed or financially disadvantaged by the COVID-19 outbreak.

- Recovery Rebates
- Retirement plans
- Charitable contributions
- Student loans
- Unemployment
- Education loan repayment
- Mortgages, foreclosures & evictions
- Credit reports



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How Can the CARES Act Help Me?





Individuals and Families



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Individuals: Most people earning less than \$75,000 will receive \$1,200 from the Federal Government (either through direct deposit or check). The IRS will use your 2019 tax returns to determine your eligibility (or 2018 returns if you have not yet filed your 2019 returns). Additionally, if you receive a lower rebate amount than you are eligible for based on your 2020 income, you will receive the difference after filing your 2020 tax return. Individuals will not have to return any overpayments made based on a higher income earned in 2020. Individuals earning up to \$99,000 a year will receive reduced amounts (the government lowers the rebate by \$5 for every \$100 in income above \$75,000).

Married Couples: Each married couple will receive \$2,400 if their adjusted gross income falls below \$150,000. Married couples will receive reduced rebate amounts on a sliding scale as long as they have not earned more than \$198,000. Married couples also will receive an additional \$500 for every minor child.



Individuals and Families



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Heads of Household: Individuals who file as a “head of household” (for example, single parents with children) will receive \$1,200 if they have an adjusted gross income up to \$112,500. Heads of household will receive reduced rebate amounts on a sliding scale as long as they have not earned more than \$136,500. Heads of household will also receive an additional \$500 for every minor child.

Unemployment Insurance: The CARES Act expands unemployment insurance to include a \$600 per week increase in benefits for up to 4 months. The law also provides unemployment insurance for individuals who typically are ineligible (for example, self-employed individuals and independent contractors). The federal government will also:

- Temporarily fund the first week of unemployment for states that repeal any waiting period requirements to receive unemployment insurance; and
- Fund an additional 13 weeks of unemployment benefits through 12/31/2020.



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Three Programs Available to Florida Businesses

There are at least Three (3) programs available to Florida business owners at this time –

- Newly-enacted Paycheck Protection Program (PPP) (Part of CARES)
- SBA's Economic Injury Disaster Loan (EIDL)
<https://covid19relief.sba.gov>
- Florida Small Business Emergency Bridge Loan
<https://floridadisasterloan.org>



Paycheck Protection Program (PPP)



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Paycheck Protection Program:

One of the biggest resources available to small businesses (less than 500 employees) is the Paycheck Protection Program (PPP) enacted by the CARES Act.

Under the PPP, small businesses harmed by COVID-19 anytime from February 15, 2020, to June 30, 2020, will be able to apply to a local lender for a loan (where you do your business banking).

A business must use these loan proceeds to pay for: worker compensation, payroll, healthcare costs, mortgages, rent, & utilities.

Your business must have been in operation since at least February 15, 2020, and you must apply by June 30, 2020.



Paycheck Protection Program (PPP)



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What kinds of businesses are eligible?

PPP Loans are available for small businesses (with less than 500 employees), self-employed individuals, sole proprietors, independent contractors, non-profits (with less than 500 employees), veterans' organizations, and certain tribal businesses.

The PPP Loan Program seeks to expand assistance to businesses that typically do not meet small business qualifications for loans. Therefore, it is important to evaluate each small business to see if it may be eligible for this kind of loan.



Paycheck Protection Program (PPP)



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Loan Amount and Use of Loan Funds:

In all cases, the loan maximum is the lesser of either:

- a) 250% of your average monthly payroll costs; or
- b) \$10 million. The lender will determine your monthly payroll costs from 02/15/2019 – 03/30/2019 or, for seasonal employers, costs starting on 03/01/2019. For new employers, your lender will look at your average monthly payroll costs between 01/01/2020 – 02/29/2020.

Payroll costs include items such as:

- Salary, wage, commission, tips, or similar compensation;
- Vacation, parental, family, medical, or sick leave payments
- Group health care benefits and retirement benefits; and
- State or local taxes payments based on employee compensation.



Paycheck Protection Program (PPP)



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Loan Amount and Use of Loan Funds:

You may use loan proceeds to pay for:

- Payroll costs described in the before slide;
- Interest on any mortgage;
- Rent;
- Utilities; and
- Any other interest on debt incurred before 02/15/20.

For a sole proprietor or independent contractor, wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis.



Paycheck Protection Program (PPP)



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“Payroll costs” do not include the following:

- Total “payroll costs” of any individual employee in excess of \$100,000 annualized
- Payroll taxes
- Any compensation of an employee whose principal place of residence is outside the U.S.
- Any qualified sick leave or family medical leave for which a credit is allowed under the new Coronavirus Relief Act passed last week (Families First Coronavirus Response Act)



Paycheck Protection Program (PPP)



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Loan Forgiveness and Terms:

PPP Loans do not require a personal guarantee or collateral. You can apply to your lender to forgive the amount of payroll, mortgage interest, rent, and utilities payments made during the 8 weeks after you receive the loan. Your lender may forgive certain loan amounts as long as you keep the same number of employees from 02/15/2020 – 03/30/2020, as you did during either:

a) the same period in 2019; or b) from 01/01/2020 – 02/15/2020.

Lenders may also reduce the loan forgiveness amount if you lower compensation by more than 25% for employees making under \$100,000. Your lender will not penalize you, however, if you rehire employees that you previously laid off or restore any cut compensation by 06/30/2020.



Paycheck Protection Program (PPP)



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Loan Forgiveness and Terms:

The amount that can be forgiven will be proportionate to maintaining your employees and their compensation.

For loan forgiveness, you must provide your lender with documents showing:

- The number of employees on payroll, their pay rate, IRS payroll and state income tax filings, and unemployment insurance filings; and
- Mortgage interest, rent, utilities, and other debt payments.



Paycheck Protection Program (PPP)



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Loan Forgiveness and Terms:

- Any loan amounts not forgiven will have a maximum 10-year term with a maximum 4% interest rate. You may continue to defer principal and interest payments for a total of 6 - 12 months after you receive your loan.
- As a business, you can only take out one PPP loan, but you may take out other loans available to you as long as you spend the money for different purposes.
- Please note, the Small Business Administration (SBA) must still create the exact rules lenders must implement for PPP loans, so certain requirements remain unknown.



Paycheck Protection Program (PPP)



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Where should I go to get a PPP loan from?

- All current SBA 7(a) lenders are eligible lenders for PPP. The Department of Treasury will also be in charge of authorizing new lenders, including non-bank lenders, to help meet the needs of small business owners.
- To view SBA 7(a) Lenders:
<https://www.sba.gov/article/2020/mar/02/100-most-active-sba-7a-lenders>



Paycheck Protection Program (PPP)



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FAQ's:

1. I am an independent contractor or gig economy worker, am I eligible?

Yes. Sole proprietors, independent contractors, gig economy workers, and self-employed individuals are all eligible for the Paycheck Protection Program.

2. I have heard about deferring the employer portion of the social security payroll tax of 6.2%. Can I still do this and have the PPL forgiven?

Yes, but be aware. Previously deferred social security tax payments become due once the PPL (or a portion thereof) is forgiven.



Paycheck Protection Program (PPP)



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FAQ's:

3. Are guaranteed payments to partners included in “payroll costs”?

Guaranteed payments should not be included as “payroll costs” to the partnership but they will be included in the computation of net earnings from self employment at the partner level.

4. If I have applied for, or received an SBA Economic Injury Disaster Loan (EIDL) related to COVID-19 before the Paycheck Protection Program became available, can I still apply for the PPP?

Yes. You can have both loans.

In addition, if you received an EIDL loan related to COVID-19 between January 31, 2020 and the date at which the PPP becomes available, you would be able to refinance the EIDL into the PPP for loan forgiveness purposes. However, you may not take out an EIDL and a PPP for the same purposes. EIDLs received after the PPP becomes available, are not eligible to be refinanced into the PPP.



Paycheck Protection Program (PPP)



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Checklist:

- 2019 Business Tax Returns or Year End Financial Statements as of 12/31/19
- 2019 Payroll Cost and YTD Payroll Cost through February 15, 2020
- Number of employees as of December 31, 2019
- Number of employees as of February 15, 2020
- What industry does the business fall under?



Paycheck Protection Program (PPP)



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Payroll Verification Documents Needed:

- IRS Form 940 Employers Annual Federal Unemployment Tax Return (FUTA)
- IRS Form 941 Employer's Quarterly Federal Tax Return
- Payroll Summary Report 2019 with corresponding bank statements
 - W2 Summary
- Breakdown of payroll benefits
 - vacation, allowance for dismissal, group healthcare benefits, retirement benefits, etc.
- Copy of 2019 W2s for wage earners
- Trailing twelve-month profit and loss statement (as of the date of application) for all applicants



Paycheck Protection Program (PPP)



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PPP Pros & Cons:

Pros:

- No collateral required.
- May be converted to a grant if you meet the criteria to do so and your application for forgiveness is approved.
- May have up to a 10-year repayment term with interest no higher than 4% for the life of the loan with no pre-payment penalty.
- May borrow up to 2.5 percent of average monthly costs of payroll, mortgage interest, rent and utilities for the business.

Cons: .

- We don't yet know the full criteria for requesting forgiveness -- watch deadlines carefully
- If you took an EIDL loan, you are not eligible to take a PPP loan (you should, however, apply for an EIDL loan while waiting to find out more about PPP if you need the money no matter what. You can decline the EIDL in favor of PPP when the time comes).

Questions?



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Funding In Addition to PPP/CARES



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- SBA's Economic Injury Disaster Loan (EIDL)
<https://covid19relief.sba.gov>
- Florida Small Business Emergency Bridge Loan
<https://floridadisasterloan.org>



Economic Injury Disaster Loans (EIDL)



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Small businesses also have the option to apply for the SBA's Economic Injury Disaster Loans (EIDLs). Businesses may qualify under this loan program if they suffered substantial economic injury from the pandemic.

The CARES Act has expanded the EIDL program to cover a wider range of entities and provides an emergency advance of up to \$10,000 within 3 days (They promise this, but I cannot confirm it). The CARES Act also expanded EIDL eligibility for the period between 01/31/2020 through 12/31/2020.



Economic Injury Disaster Loans (EIDL)



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What kinds of businesses are eligible?

To qualify, you need to have been in business by 01/31/2020. Under the CARES Act, eligible businesses include: small business (fewer than 500 employees), sole proprietors, independent contractors, cooperatives, and tribal small businesses.

Applicants must follow SBA's affiliation rules governing financial assistance programs. Also, entities that were eligible to receive EIDLs before the pandemic remain eligible and can access the CARES Act's more beneficial terms.



Economic Injury Disaster Loans (EIDL)



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EIDL Terms

The loans have a maximum 30-year term and the maximum loan amount is \$2 million.

Interest rates are:

- a) 3.75% for small business; and
- b) 2.75% for non-profits. You may defer first month's payments for 12 months after you receive your loan.

Unlike the PPP loans, no loan forgiveness provisions apply, however, you may refinance EIDL loans under the PPP to then opt into the PPP's loan forgiveness provisions. Please remember that if you also take out a PPP loan, you must use the different loan proceeds to cover different costs.



Economic Injury Disaster Loans (EIDL)



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EIDL Pros & Cons:

Pros:

- Longstanding program with clear guidelines.
- First payment due in 12 months, and the loan is long-term (up to 30 years fixed) with no pre-payment penalty.
- You can borrow up to \$25,000 unsecured, and more if you have security.
- The goal of this program is to allow you to spread the costs of this short term disaster over the life of your business.
- May receive up to a \$10,000 advance while application is pending.

Cons:

- At this time, there is no loan forgiveness in place (Congress would need to enact further legislation to allow for forgiveness, and that is not currently in place and not something that can be counted on).
- If you have collateral, you will be required to give the SBA a lien on that property.
- If you take an EIDL loan for damage caused by COVID, you are not eligible to participate in the PPP program enacted as part of the CARES ACT.



Emergency Economic Injury Grants



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The \$10,000 emergency cash grants allow businesses to pay certain working capital needs. The SBA will provide eligible businesses this advance within approximately 3 days.

To access the advance, you must first apply for an EIDL and then request the advance. The advance does not need to be repaid, but you must deduct any advance amounts from any loan forgiveness amounts under a PPP loan.



Applying



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The CARES Act waived certain requirements such as:

- a) showing you are unable to obtain credit from other institutions; and
- b) personal guarantees for loans up to \$200,000 (personal guarantees are still required loans greater than that amount).

It remains unclear whether the SBA will require collateral on EIDL loans greater than \$25,000.

Additionally, the SBA may approve a loan based solely on your credit score without the business having to submit additional documents such as tax returns. There are no loan, guarantee, or prepayment fees. Be sure to apply for Economic Injury for the Coronavirus.

You may apply for EIDL loans directly at www.SBA.gov/disaster



Businesses with Certain SBA-Loans



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Under the CARES Act's Small Business Debt Relief Program, the SBA will cover for 6 months all loan payments (principal, interest, and fees) on 7(a) loans, 504 loans, and microloans.

This relief will also apply to businesses that take out loans within 6 months of the CARES Act being signed into law.

This relief does not cover disaster loans (including 7(a) loans made under the PPP).



Certain Small Business Tax Provisions



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Please note that the following credits and deferrals are not available to businesses (including non-profits) that also receive a PPP loan.

- Delay of Employer-Side Social Security Payroll Tax Payments: Employers and self-employed individuals may defer payment of their employer share of the Social Security tax. Half of the deferred payments must be paid by 12/31/2021 and the other half is due by 12/31/2022.



Certain Small Business Tax Provisions



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Please note that the following credits and deferrals are not available to businesses (including non-profits) that also receive a PPP loan.

- **Employee Retention Credit:** The CARES Act created an employee retention credit for employers that must close because of COVID-19. Employers may be eligible for a 50% tax credit on qualified wages paid to employees from 03/12/2020 – 12/31/2020. The tax credit expires either when: a) the employer reaches the \$10,000 per employee maximum; or b) when revenue for a 2020 quarter is higher than 80% of gross receipts for the same quarter in 2019.



Certain Small Business Tax Provisions



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- a) Businesses with 100 or fewer employees: the tax credit applies if the employer had to suspend its business because of a government order or its experienced a 50% revenue decrease for any calendar quarter in 2020 compared to the same quarter in 2019.
- b) Businesses with over 100 employees: must meet the same requirements above, but the credit applies only to wages paid to those on payroll but who are not working.



Florida Disaster Loan



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The Florida Small Business Emergency Bridge Loan program provides Florida businesses with up to a \$50,000 bridge loan in the event of a disaster, and COVID-19 is considered an eligible disaster. The loan is available to businesses with 2-100 employees.

Pro:

This is a no-interest loan, and it can be issued very quickly.

Con:

Repayment starts right away. If you accept this bridge loan, the first payment will be due 30 days after you take the funds (and if you take the full \$50,000, the payment would be \$4,200 a month).

After one year interest free, the interest rate jumps to 12% per annum.

Questions?



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Thank You



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