



March 28, 2020

CARES ACT SUMMARY AND ACTION ITEMS

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") had been passed and is now law.

We present the following for your consideration:

INCREASE IN UNEMPLOYMENT COMPENSATION

- Adds an additional \$600 per week in benefits on top of the state benefit effective until July 31, 2020.
- Covers self-employed workers, part-time workers and those with limited work history.
- In some instances, staff may receive more than their normal wages.

SBDP ACTION ITEMS

- If your practice or business is closed or operations are severely curtailed, then furlough your staff and instruct them to apply for unemployment ASAP. They will receive traditional unemployment benefits plus the additional \$600 CARES act amount. This should replace most of their normal pay and in some cases provide a raise.
- Provide a furlough letter with the last check stating they are expected to return to work after normal operations resume in order to expedite the process. Let us know if you need a sample letter.
- Last check should include hours worked and earned paid time off which will help bridge the gap until unemployment benefits start.
- The Governor has waived the usual one-week unpaid waiting period.
- Can still claim partial wage replacement benefits for staff with reduced work hours that are working as needed.
- Staff are not required to actively seek work during furlough.
- In a prior action item memo we recommended owners to stop taking payroll if you had sufficient personal reserves; if you took this action and have not exempted yourself from the state unemployment tax then you should apply for unemployment also.
- Ask that staff stay in communication with you during this process.
- Check with your health insurance carrier regarding the current circumstances.

PAYCHECK PROTECTION PROGRAM - SBA LOANS

- Available to businesses with 500 or fewer employees in business on February 15, 2020.
- Business must make good faith certification that the loan is necessary due to the uncertainty of current economic conditions caused by COVID-19; and that you intend to use the funds to retain workers and maintain payroll or make mortgage payments, lease payments, and utility payments and that you haven't applied for duplicative funds from another SBA program.



- Self-employed and independent contractors are eligible.
- No personal guarantees or liens on assets.
- Maximum loan is equal to 2.5 times the trailing 12-month average of your payroll and payroll related expenses, including health and retirement benefits limited to a maximum compensation of \$100,000 per employee, including the doctors or owners of the business.
- Must apply through banks and credit unions approved to issue SBA loans.
- Borrower shall be eligible for loan forgiveness equal to the amount spent on qualified expenses during the 8-week period beginning on the date your loan originates.
- Qualified expenses include payroll, interest payments on mortgages, rent and utilities.
- You are eligible for forgiveness even if you laid-off employees or cut their pay by over 25% after February 15, 2020. The amount of forgiveness will be limited unless you re-hire the same full-time employees at their full pay rate or restore their pay by June 30, 2020.
- Amounts not forgiven will have a maximum maturity of 10 years with interest at 4%. Repayment can be deferred for at least 6 months but not more than 1 year.
- We need more details to determine how the CARES act loan will integrate with the Florida bridge loan and the Economic Injury Disaster Loan. If you already applied for either loan then inform the bank when applying for the CARES Act loan. If you have not applied for the other loans yet, then we should discuss your specific circumstances before you do so.

SBDP ACTION ITEMS

- We recommend all eligible businesses apply for this loan program.
- Reach out to your bank to confirm they are an SBA lender and will be participating in this program as well as to inform them of your intention to apply. Ask them for the next step according to their process.
- If your bank is not an SBA lender, SBDP can recommend an approved lender where you should open a business account immediately. Banks will likely give existing customers priority.
- Timing of the application and receipt of funds will be critical; we believe the SBA will allow you to apply but delay receipt until your business reopens. Discuss with your bank and SBDP regarding the best timing under your specific circumstances.
- Contact your payroll company to request employee earnings reports for the trailing 12 months; include your next payroll run then go backwards 12 months. They may be able to generate a custom report or may provide instructions on how you can obtain the report. If you have any seasonal nature to your payroll costs where average payroll was higher during the periods from February 15, 2019 to May 31, 2019 OR March 1, 2019 to June 30, 2019; then obtain reports for these periods as well.
- Document total health insurance premiums paid by the business for you and your employees under a group health insurance plan for the trailing 12 months.



- Document total retirement plan funding to 401k, SIMPLE or SEP paid by the business but do not include any amounts withheld from the employee's payroll checks. Under the circumstances, we suggest you use the 2019 contribution summary provided by the plan administrator. If it is not available, request it.
- This is all information we assume will be needed during the application process; therefore, please get to work on this right away and let us know if we can help.
- SBDP has prepared a worksheet that calculates the expected loan amount as well as the projected amount we expect to be forgiven. Please let us know if you would like us to run these calculations for you.

OTHER KEY PROVISIONS

- Employee retention credit – provides a refundable payroll tax credit for 50% of wages paid during the crisis.
- Delay of payment of employer payroll taxes – allows employers to defer paying the employer portion of certain payroll taxes through the end of 2020; 50% of deferral due December 31, 2021 and 50% due December 31, 2022.
- Individual recovery rebate checks – \$1,200 for individuals and \$2,400 for joint returns plus \$500 for each qualifying child. The credit is phased out when income exceeds \$75,000 for single taxpayers and \$150,000 for joint returns with a total phase out at \$99,000 and \$198,000.
- Retirement plan distributions – 10% penalty does not apply to any coronavirus related distribution up to \$100,000. Distribution can be contributed back to retirement plan at any time during 3-year period.
- IRA required minimum distribution waived for 2020.
- Above-the-line \$300 charitable deduction.
- Modification of limitations on individual cash charitable contributions during 2020.

SBDP is proud to be your trusted business provider. Our team is here to support and guide you through these challenging times. If you need more details on any of these provisions, please contact us to schedule a phone conference.