

The CARES Act - Summary



Individual Stimulus Payments

- \$507 Billion
- IRS will look at your 2019 Tax Return, then 2018, then Social Security Benefit Statement
- \$1,200 Single/\$2,400 MFJ – Plus \$500 for each child under 17
- Single Under \$75k and MFJ under \$150k will receive 100% of payments
- You lose \$5 of your payment for every \$100 your AGI exceeds those thresholds, fully phased out at \$99k for single and \$198k for MFJ (If you have kids then you will have more of a phase out threshold)
- These are treated as advanced payments that will be recomputed with your 2020 tax return (No repayment or recognized income clear in bill).

Small Business Loans - "Paycheck Protection Loans"

- Businesses with less than 500 employees will have access to nearly \$350B in loans
- Covered period – February 15 2020 through June 30, 2020
- Limited to the LESSER average monthly "payroll costs for the 1 year period ending on the date of the loan multiplied by 2.5 or \$10 million
- Maximum maturity of 10 years and interest rate not to exceed 4%
- Proceeds may be used to cover payroll, mortgage payments, rent, utilities, and any other debt service requirements
- Additional provisions of the CARES Act provide for possible deferment of repayment of the loans for a period of at least 6 months but not to exceed a year

Loan Forgiveness of Paycheck Protection Loans

- A portion of the Paycheck Protection Loans to be forgiven on tax free basis
- The amount forgiven is the sum of payroll costs, mortgage interest, rent and certain utility payments made during the 8 week period beginning on the date of the loan.
- Application needs to be filed verifying the expenses
- No forgiveness if workforce is reduced during the 8 week period or reduces to the salary or wages of an employee who had earned less than \$100k in annualized salary by more than 25%

Emergency Government Disaster Loan

- Expands eligibility to sole proprietors and ESOPs from only businesses with fewer than 500 employees
- No personal guarantee on loans less than \$200k
- Separate to Paycheck Protection Loan – Current understanding is that you cannot receive both loans

Tax Provisions of CARES Act

- Qualified Improvement Property Fix
 - QIP now rightfully has depreciable life reduced to 15 years and is eligible for 100% Bonus depreciation effective January 1, 2018
- Special Rules for Using Retirement Funds for Corona Virus Costs
 - Typically hit with 10% penalty if drawing on retirement account prior to 59 ½
 - Will be charged no penalty if it is a “corona virus related distribution”
 - Any individual diagnosed with SRS-COV-2 or COVID-19 by test approved by CDC
 - Spouse or dependent is diagnosed with the disease
 - Anyone who experiences financial consequences as a result of being quarantined furloughed, laid off or having work hours reduced or being unable to work due to lack of child care
 - Allow income spread over 3 years for distribution or avoid income recognition with repayment of distribution within 3 years
 - Increase in amount that can be borrowed from retirement plan from \$50k to \$100k
- Charitable Contributions
 - \$300 above the line deduction for those who do not itemize
 - Eliminates 60% limitation for those who do itemize
- Exclusion from Income of Employer Payment of Employee Student Loan Debt
 - Up to \$5,250 – Combined limit with \$5,250 payment for qualified medical expenses
- Employee Retention Credit
- Delay of Payment of Employer Payroll Tax and Self-Employment Tax
- Change in NOL Rules
 - 2018, 2019 and 2020 Losses can be carried back up to five years
 - Losses carried to 2019 and 2020 can offset 100% of income (As opposed to 80% from TCJA)
- Temporary Removal of Section 461(l)
- Limiting business losses to \$250k single and \$500k MFJ is removed effective January 1, 2018
- Changes to Interest Limitation Rules