

## CARES ACT - Part 2

### Small Business Provisions

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With all of the closings that have been mandated as a result of COVID-19 along with requirements to stay in, many small business owners are worried about their operations. If you are a small business owner you are probably wondering how you are going to keep your business sustainable long term, provide for your employees, and provide for your own needs. Thankfully there has been a lot of legislation passed and the CARES act expanded and added benefits for small business owners. There is a lot of information out there so we wanted to summarize what these different benefits are, who qualifies, and what the effect is.

#### **Unemployment**

##### Who is eligible:

- If you are self employed and have had to close your business due to the pandemic you will be able to file for unemployment benefits.
- Self employed individuals who were generally not able to collect unemployment benefits are now eligible.

##### How to file:

- You will file with your state's unemployment division.

##### How much?

- You will receive the payment you are eligible for under your state's guideline, plus the \$600 weekly benefit from the federal government.

##### More details:

- You will need to login in weekly to provide an update on your status.
- This is taxable income so keep that in mind as you keep your books throughout the year and prepare for filing the 2020 tax returns.

This topic will be further explored in Friday's blog release.

## **Employee Retention Credit**

### What it is:

- A credit against the employer's portion of payroll taxes

### Who is eligible:

- A business that has had to close or suspend operations or has had a significant decrease in revenue and continues to pay employees. A significant decrease means your quarterly gross receipts are down 50%.
- If there are over 100 employees the credit only applies if the business has been mandated to close.

### How to file:

- We are waiting on final details as to how this will be claimed.

### How much?:

- The credit is 50% of compensation paid up to \$10,000 per employee. It will be a refundable credit against payroll taxes.

### More details:

- The credit will be determined on a quarter by quarter basis as long as the business remains closed or gross receipts continue to be down by 50%.

- This also allows employers to defer payment of the employer's portion of payroll taxes. Half would be due in 2021 and half would be due in 2022.
- If you take the Small Business Administration Paycheck Protection Loan you are NOT eligible for this credit.

### **SBA Paycheck Protection Loan**

#### What it is:

- A forgivable loan to cover payroll and basic operating expenses.

#### Who is eligible:

- Employers with under 500 employees, including self-employed sole proprietors, IF you retain the same number of employees.
- This includes the "gig economy" workers as well.

#### How to apply:

- These loans will be done through local banks who are approved with the SBA.
- Check with your normal bank and if they do not participate check with others in your area.

#### How much:

- 8 weeks of cash-flow
- 250% of average monthly wages and salary (calculated monthly average over the past 12 months).
- Seasonal employers use the 12-week period beginning February 15, 2019 (or March 1st if elected) to June 30, 2019.

#### More Details:

- The funds are to be used to pay for payroll expenses including healthcare benefits, rent, mortgage interest, and utilities, Rent/lease, and utilities.
- All or a portion is forgivable if the business uses the loan funds to pay for the covered expenses in the 8 week period after the loan is taken.
- Amounts not forgiven have a maximum term of 10 years and payments will be deferred up to 6-months, and possibly up to one year.
- Interest rate may not exceed 4%
- The fees for this loan are being waived
- Personal guarantee and collateral requirements are being waived

### **SBA Economic Injury Disaster Loan**

#### What it is:

- A small business loan to offer financial assistance due to COVID-19
- Also known as EIDL
- Immediate advance of \$10,000 - provide advance within 3 days of request; never has to be repaid, even if you're denied a SBA loan.

#### Who is eligible:

- Small business owners who have suffered economic injury as a result of the virus.

#### How to apply:

- For the immediate advance, apply at <https://covid19relief.sba.gov/#/>
- Through the Small Business Administration. The application can be found at <https://www.sba.gov/disaster/apply-for-disaster-loan/index.html>. There was an online application but due to high demand it seems to be requiring a paper application be submitted.

#### How much:

- Up to \$2 million with a guaranteed rate of no more than 4%.

#### More Details:

- Funds are to be used for payroll including paid sick leave, rent, mortgage, debt payment, accounts payable, and other bills.
- You will need to prove economic injury for the long-term loan
- There is authorization to approve based off credit score alone

#### **Other Notable Small Business Provisions**

- Employers and self-employed individuals can defer payment of the employer share of the social security tax - half due by 12/31/2021 and the other half due by 12/31/2023
- If you have a current SBA Loan - 6 months deferment principal and interest - talk to your lender.
- You can't take a loan under multiple programs for the same expenses.

Want more credible information - watch this webinar: <https://www.uschamber.com/co/events/national-small-business-town-hall-inc-us-chamber>