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To our clients, associates and friends:

This past week, congress passed, and President Trump signed the Coronavirus Aid, Relief and Economic Security Act (CARES Act). Below, we have listed the provisions available for businesses. Starred (*) items are returning the law to the same or similar as it was prior to the Tax Cuts & Jobs Act of 2017 (TCJA). Individual provisions are summarized in a separate letter.

- Expanded access to loans for small and midsize businesses
 - Paycheck Protection Program (PPP)
 - Expands SBA support for businesses with loans of up to \$10 million
 - Businesses in existence at least a year eligible for lesser of 2.5 times their average monthly payroll costs for the previous 12 months, plus any amounts refinanced from the Economic Injury Disaster Loan OR \$10 million
 - Businesses in existence less than one year can use their average monthly payroll from 01/01/20 through 02/29/20.
 - Use of funds to cover:
 - Payroll costs or employee benefits (limited to an annualized rate of \$100,000 for those making more than \$100,000)
 - Operating costs
 - Interest on debt obligations
 - Loans will bear interest at a rate not to exceed 4%
 - For loans issued through 06/30/20, both principal and interest payments can be deferred for a minimum of six months and a maximum of one year.
 - Loan forgiveness is possible
 - Employees must be retained at or near current salary level.
 - A formula exists to calculate how much can be forgiven if the number of employee decreases or if wages paid to employees decreases by 25% or more.
 - Restoration of number of employees or wages by 06/30/20 can prevent loan forgiveness from being reduced.
 - Only funds used in the eight week period beginning with loan origination for the following eligible acts may be forgiven:
 - Eligible payroll costs (exclusions apply)
 - Interest Payments on pre 02/15/20 debt
 - Lease payments on leases in force prior to 02/15/20
 - Utility payments (electricity, gas, water, telephone or internet)
 - Various standards related to size to be able to qualify, including number of employees, which can vary by industry
 - Eligible to sole proprietors, independent contractors, and other self-employed individuals

- Charitable organizations (including religious organizations) described in section 501(c)(3) of the Internal Revenue Code and veterans organizations described in section 501(c)(19), are eligible.
 - Other non-profit organizations, including those described in sections 501(c)(4), (5), and (6) are NOT eligible
 - Applied for with local lending institutions and guaranteed by the SBA
 - Businesses are precluded from receiving funding under both this option and the \$2M EIDL below for the same purpose.
 - Qualifying businesses can receive up to \$2 million to be used for working capital and ordinary expenditures.
 - Expands the Economic Injury Disaster Loan Assistance (EIDL)
 - Actual loan amount tied to economic injury suffered by the company.
 - Interest rates can be 3.75% or 2.75% based on size.
 - Most manufacturers with less than 500 employees and most non-manufacturing businesses with average annual receipts less than \$7.5 million can qualify.
 - Available to borrowers that can show they are unable to meet their existing financial obligations
 - Applied for directly with the SBA and funded by the SBA
 - Loans in excess of \$200K require a personal guarantee
 - A \$10,000 advance is available to be used for authorized costs. It is payable within three days of applying for the loan, and is forgiven, even if the loan is denied.
 - Loans themselves are NOT forgivable
 - Treasury loans, loan guarantees and other investments in eligible businesses
 - Eligible midsize businesses (500 to 10,000 employees)
 - Interest rates not to exceed 2%
 - No principal or interest for the first six months
 - Loans are NOT forgivable
 - Requires good faith certifications be made by the business
 - Application process for this loan is not yet available
- Employee retention credit for employers
 - Refundable payroll tax credit equal to 50% of wages (up to \$10K per employee) paid by eligible employers
 - Available to employers, including non-profits, whose operations have been fully or partially suspended as the result of government ordinance limiting commerce, travel, or group meetings. It is also available to employers experiencing a greater than 50% reduction in quarterly receipts measured over a two-year basis.
 - Credit not available to employers receiving a loan under the PPP (above)
 - Employers with 100 employees or fewer – all employee wages are eligible
 - Employers with more than 100 employees – only certain employee’s wages (furloughed or facing reduced hours due to employer’s closure or reduced receipts)
 - No credit available with respect to an employee allowed a Work Opportunity Credit
 - Calculated on a quarterly basis with the maximum for all quarters being the \$10K per employee
 - Can reduce payroll tax deposits for anticipated credits without penalties
- Delayed payroll tax payments
 - NOT eligible for employers who take loans under the Small Business Act Section of this act. (above)
 - Deferral of the employer portion of payroll taxes paid beginning with the date of enactment through the end of 2020.
 - 50% must be deposited on or before 12/31/21 and 50% must be deposited on or before 12/31/22
- Temporary repeal of income limitation for net operating losses (NOLs). *
 - NOLs created in years beginning after 12/31/17 can be used to fully offset income in future years. (NOTE: This is taking us back to the rules prior to the passing of President Trump’s first major tax legislation. NOLs created in years prior to 12/31/17 have already had this ability)

- Modifications of rules related to net operating loss (NOL) carrybacks *
 - NOLs arising after 12/31/18 and prior to 01/01/21 can be carried back to each of the five preceding years.
- Modifications to limits on losses of non-corporate entities *
 - Temporarily modification to allow the deductibility of excess losses generated in 2018, 2019 and 2020.
- Corporate minimum tax credit accelerated
 - Corporate minimum tax credits are increased from being able to claim a 50% refundable credit to a 100% refundable credit.
- Interest expense deductibility temporarily increased
 - The limit on deductibility of interest expense for certain taxpayers is increased from 30% to 50% for tax years beginning in 2019 and 2020.
- Technical correction for qualified improvement property
 - The TCJA eliminated pre-existing definitions for qualified leasehold improvement property, qualified restaurant property, and qualified retail improvement property, and replaced them with “qualified improvement property.” However, when the law was written, the language failed to allow for a 15-year useful life as had existed for the others. This prevented QI property from qualifying for bonus depreciation. This technical correction allows these assets a 15-year useful life, which qualifies them for bonus depreciation.

Should you have questions on any of these items please give us a call.

Sincerely,



William B. Snyder



Sean W. Brewer