

## A Detailed Summary of the CARES (Coronavirus Aid, Relief, and Economic Security) Act

Below are high level summaries of many of the opportunities that may be available to you or your business in the form of federal relief under various programs. If you have any questions in regards to these things, please let us know.

### *Relief Opportunities for Businesses:*

- **Paycheck Protection Program Loans (“PPP”).** Have an existing business under 500 employees? Need capital to cover the cost of retaining employees? The PPP might be right for your business. This program provides cash-flow assistance through 100% federally guaranteed loans to employers who maintain their payroll during the pandemic. If payroll is maintained, the loan is forgiven, which should keep workers employed and help in creating a quicker bounce back for our economy after the pandemic. There are a number of other attractive features within this program and there are some guidelines with regard to the loan size and forgiveness. Applications were released on March 31, 2020. Loans under the PPP are available through June 30, 2020.
- **Economic Injury Disaster Loans and Emergency Economic Injury Grant (together, “EIDL”).** Need a quick infusion of a smaller amount of cash to cover your business right now? The EIDL might be a route for you. EIDLs are lower interest loans of up to \$2 Million, with principal and interest deferment available for up to 4 years, that are available to pay for expenses that could have been met had the disaster not occurred, including payroll and other operating expenses. As a part of the EIDL, a grant for an emergency advance of up to \$10,000 may be available within three (3) days of applying for an EIDL. The grant does not have to be repaid under any circumstances. You can apply for both a PPP and EIDL, but there are some restrictions with regard to forgiveness if you ultimately receive a PPP loan or refinance an EIDL into a PPP loan.
- **Small Business Debt Relief Program (“SBDR”).** SBDR provides immediate relief to small businesses with non-disaster SBA loans under SBA 7(a), 504 and microloans. Under the SBDR, the SBA will cover all loan payments on your existing SBA loans, including principal, interest and fees for six (6) months. The SBDR will also be available to new borrowers who take out non-PPP, 504 and microloans between now and September 27, 2020.
- **Employee Retention Credit.** This credit is for employers subject to closure or experiencing hardship due to the pandemic (for example, operations have been fully or partially suspended as a result of a government stay-at-home order limiting commerce, travel or group meetings or whose gross receipts declined by more than 50%. This credit provides an employer a refundable payroll tax credit for 50% of wages paid to certain employees. The impacted employers will receive a refundable quarterly payroll tax credit equal to 50% of qualified wages paid to an employee from March 13 through December 31, 2020. For purposes of the credit, up to \$10,000 of qualified wages paid per employee during this period is taken into account. Excess credits are refundable. This credit is not available to employers receiving PPP loans.
- **Employer Payroll Taxes.** This provision of the CARES Act allows employers and self-employed individuals to defer paying the employer portion of certain payroll taxes due through the end of 2020. All 2020 deferred amounts would be due in two equal installments, one at the end of

2021 and one at the end of 2022. The taxes that can be deferred include the employer portion of FICA taxes, the employer and employee representative portion of Railroad Retirement taxes and half of SECA tax liability. This deferral is not available to those employers receiving PPP loans.

- **Retirement Plan Funding & Documentation.** The deadline for employers to make contributions to certain workplace-based retirement plans has been extended. In addition, employers sponsoring retirement plans may immediately adopt provisions allowing coronavirus related distributions and plan loans based on the CARES Act but formally amend the plan at a later date.
- **Other Tax Relief.** The CARES act provides relief with regard to other areas including, but not limited to, employer payments of student loans, carry back/forward of net operating losses and an increase in the amount of business interest deductions that may be taken. I would recommend that you consult with a tax expert in regards to the changes
- **Counseling and Training.** The SBA also provides various other resources to small businesses for mentorships, training, counseling and other resources. To find a local resource partner, visit <https://www.sba.gov/local-assistance/find/>.

#### *Relief Opportunities for Individuals:*

- **Recovery Rebate for Individuals.** U.S. residents with SSNs, income below certain levels and who cannot be claimed as a dependent will receive cash payments. The cash payments are technically advance refunds of 2020 tax credits that are not counted as taxable income for recipients. Most are calling the payments “Recovery Rebates”. The recovery rebates are \$1,200 for individual filers and \$2,400 for those married filing jointly. An additional rebate of \$500 will be paid for each qualifying child under age 17. The amount of each rebate phases out for adjusted gross income (AGI) greater than \$75,000 (individual) or \$150,000 (married filing jointly), based upon AGI as calculated on the 2018 federal tax return (or 2019 tax return, if filed). Those individuals making greater than \$99,000 and those couples filing jointly and making greater than \$198,000 are phased out and will not receive recovery rebates. The rebates are calculated from our 2018 or 2019 tax returns and will be generated automatically.
- **Federal tax filing due date extension.** The deadline to file your federal tax return and to make income tax payments (originally due April 15, 2020) is now July 15, 2020. The extension is automatic and available to all taxpayers, including individuals, trusts and estates, corporations, other non-corporate entities, and those who pay self-employment tax. Any interest, penalty, or addition to tax for failure to file or pay taxes will not begin to accrue until July 16, 2020 with the extension.
- **Extension of IRA, HSA and MSA contribution deadlines.** The deadline for making Individual Retirement Account (“IRA”), health savings account (“HSA”) and Archer medical savings account (“MSA”) contributions for 2019 is now July 15, 2020.
- **Required minimum distributions (RMDs).** All 2020 RMDs from IRAs and retirement plans are waived, including RMDs from inherited IRAs (both traditional and Roth). The RMD waiver includes 2019 RMDs that were previously due by April 1, 2020.
- **Tax-favored early distributions from retirement plans.** The CARES Act waives the 10% penalty applicable to early distributions for coronavirus related distributions up to \$100,000 from IRAs and qualified defined contribution retirement plans such as 401(k), 403(b), and governmental 457(b) plans. A coronavirus related distribution is a distribution made during calendar year 2020 to an individual (or spouse) diagnosed with COVID-19 by a CDC-approved test, or to one who experiences adverse financial consequences as a result of quarantine, business closure, layoff, or reduced hours due to the coronavirus. In addition, any income attributable to an early withdrawal is subject to income tax over a 3-year period unless the individual elects to have it all included in their 2020 income. Finally, individuals may recontribute the withdrawn amounts back into an IRA or plan

within 3 years without violating the 60-day rollover rule or annual contribution limits.

- **Retirement Plan Loans.** From March 27, 2020 through September 23, 2020, the maximum loan amount from a retirement plan increases to the lesser of 100% of the vested account balance or \$100,000. In addition, participants who had outstanding loans as of March 27, 2020 may defer for one year any payments normally due from March 27 through the end of 2020.
- **Charitable Contributions.** Taxpayers who claim the standard deduction may also claim a new above-the-line deduction up to \$300 for cash contributions made in 2020 to certain charities. For those taxpayers who itemize deductions and make cash contributions in 2020 to certain charities, an itemized deduction up to 100% of AGI may be claimed. The contributions must be to eligible charities so I would consult your tax advisor before making these contributions.
- **Student Loans Suspensions.** Principal and interest payments on federal student loans are suspended through September 30, 2020. No interest or penalties will accrue during the period that the loans are suspended. Also, through the end of this year, an employer may contribute up to \$5,250 annually toward an employee's student loans and such payment will be excluded from the employee's income.
- **Unemployment Benefits Expansion.** For the many that have lost their jobs during this pandemic, unemployment benefits have been expanded. Individual states administer these programs so consult your tax advisor and state programs to determine your eligibility and the mechanics for filing a claim.

As you can see from the above, many policies and procedures have changed to assist individuals and businesses during this COVID-19 pandemic both on the federal and state levels (for instance, Kansas has ordered a stay on certain foreclosures and evictions). New laws have been enacted and new programs put into place to help both businesses and individuals. There is a great deal of information and misinformation out there and, trust us, you are certainly not the only experiencing information overload. Please let us know if you have questions in regards to new programs, laws, orders or opportunities for relief for you or for your business.