



On Friday, March 27, 2020, the President signed into law the “Coronavirus Aid, Relief, and Economic Security Act” or the “CARES Act”. There are several provisions that impact employers. These measures are largely aimed at stimulating the economy, and focus on assistance for small businesses, industries that have suffered a more severe impact, and individual taxpayers.

Current Bill Highlights for Business Clients

Paycheck Protection Program (PPP)

Description and Purpose of Paycheck Protection Program

The PPP provides short-term cash flow assistance to small businesses to help these businesses and their employees deal with the immediate economic impact of the COVID-19 pandemic. Loans are made by lenders certified by the Small Business Administration (SBA) and guaranteed by the federal government.

Eligibility Period

PPP loans must be made between the date of enactment and June 30, 2020.

PPP Eligible Business

For profit and non-profit businesses with 500 or fewer employees (full and part-time). Eligible small businesses also include sole-proprietors, independent contractors, or other self-employed individuals.

Use of PPP Loan Funds

Small businesses that receive loans under the PPP must use loan funds to pay payroll costs, interest on mortgage obligations, rent, utilities or interest on other debt incurred prior to obtaining the loan, however, PPP loan funds cannot be used to pay salaries over \$100,000.

Payment Forgiveness

- Principal amounts on PPP loans, for the first 8-week period from when the PPP Loan is made, may be forgiven.
- The amount of a PPP loan that may be forgiven cannot exceed the principal amount of the loan. Businesses must keep their employees and pay them at least 75% percent of their prior-year compensation.
- Other retention provisions apply.

PPP Payment Deferral

For principal amounts that exist after any loan forgiveness under the PPP, small businesses may defer payment of remaining principal, interest, and fee balances for at least 6 months and not more than a year. This essentially allows a substantial portion of the loan to be forgiven with remaining balances deferred for up to 6 months. Loan amounts not forgiven are carried forward as an ongoing loan with max terms of 10 years, at a maximum interest rate of 4%.



PPP Loan Terms

PPP loans can be as large as 250% of a business's average monthly payroll costs over the last 12 months, not to exceed \$10 million; salaries over \$100,000 are not counted as payroll costs.

Excellent resources for additional guidance:

[Coronavirus Emergency Loans Small Business Guide & Checklist](#) [The Small Business Owner's Guide to the CARES Act](#)

Delay of Payment of Employment Taxes

- **Employers who apply for and receive PPP loans are not eligible for the deferment**
- Employers can defer employer social security taxes from March 27th, 2020 through December 31, 2020
- 50% due December 31, 2021 and 50% due December 31, 2022

Employee Retention Credit

- **Employers who receive PPP Loans do not qualify for the retention credit**
- All employers are eligible for a credit up to \$5,000.00, representing 50% of the first \$10,000 of wages paid this year
- Credits are limited to the total employer social security liability for the quarter but reduced by the FFCRA credits taken against those same taxes. Limits also apply to Qualified R&D credits and WOTC credit for employment of qualified veterans
- Employers with 100 or fewer employees can take credit for all employees
- Employers with 100 or more employees can only apply the credit to employees furlough whose wages are continued for business closure relative to COVID-19
- Employers are eligible for this credit if:
 - their operations were suspended due to a COVID-19 related order, OR
 - they have 50% less cash receipts for the same period the prior year unless the quarter prior to the credit period has increased gross receipts of 80% the prior year
- Employers may take this credit against their current employment tax liability

Please note there are numerous other provisions not incorporated above, including, but not limited to expansion of unemployment benefits. Additionally, we can provide separate guidance related to employer responsibility and requirements for paid sick leave and expanded FMLA under the Families First Coronavirus Response Act (FFCRA), effective April 1, 2020. Please don't hesitate to contact us directly with questions and further information.