

On March 29, 2020, President Trump signed into law the Coronavirus Aid, Relief, Economic Security Act (CARES) that provides over \$2 trillion in relief to businesses, individuals, states, municipalities and health care providers. Here at Day Seckler, we have attempted to provide what we believe are the most important provisions to our clients, both businesses and individuals.

The situation is developing, before you make any decisions please consult with your tax advisor. We will not cover all 880 plus pages of the bill here, only the highlights that we believe are most pertinent to you, our valued client. If you have a specific question, please reach out to us at 845.765.0705.

This memo today will address the CARES Act's impact on funding available for businesses. Later, we will issue a summary of the tax changes that impact businesses:

1. Small Business Loans (SBA) – Paycheck Protection Program (PPP) is a \$349 billion loan program under the SBA's Section 7 (a) program:

Lenders with delegated authority from the SBA, which allows Lenders to determine eligibility and credit worthiness without going through SBA channels. Many Lenders already have this designation. A Lender will consider if the business was in operation on February 15, 2020 and did it have employees or independent contractors. The application period will be from February 15, 2020 through June 30, 2020. These loans will be 100% guaranteed by the SBA.

Eligibility:

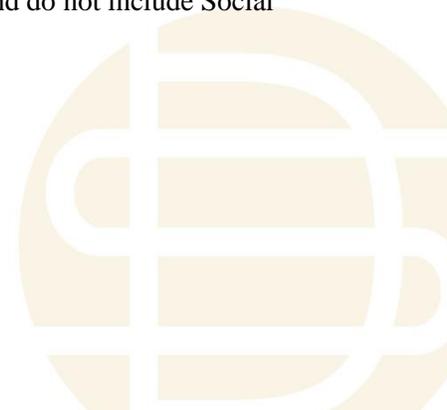
Any business, non-profit, veteran's organization, individuals who operate as sole proprietors or independent contractors, eligible self-employed individuals provided they do not employ more than 500 employees in one location,

Maximum Loan Amount:

The lessor of:

- a. Average total monthly payments for payroll costs incurred during the 1-year period before the date on which the loan is made multiplied by 2.5. Note special rules apply to seasonal businesses and businesses not in existence beginning February 15, 2019 and ending on June 30, 2019.
- b. Plus, the outstanding amounts of any Emergency Injury Disaster Loan (EIDL) obtained on or after January 31, 2020 which is to be refinanced under this loan; or \$10 million.

Payroll costs are limited to less than \$100,000 per person, must live in the US and do not include Social Security and Medicare taxes.



Use of Loan Proceeds:

Between February 15, 2020 and June 30, 2020, the loan proceeds can be used for:

- payroll costs; costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums employee's salaries, commissions or similar compensation payment of interest on any mortgage obligation (excludes prepayments) rent utilities and interest on any other debt obligation incurred before February 15, 2020.
- borrower's must make a good faith application, but the SBA will not have any recourse against any individual shareholder, member or partner of a borrower unless the loan is used for an unauthorized purpose.
- no personal guarantee or collateral will be required, nor any fees charged by the SBA. No payment of principal, interest and fees for loans with periods from not less than 6 months and not more than 12 months.
- a borrower is eligible for loan forgiveness equal to the sum of the following cost incurred and paid during the 8-week period beginning on the date of the origination of the loan.
- payroll costs (assumes the Borrower does not reduce the number of its full-time employees as compared to the prior year and that compensation for any employee is not reduced by more than 25%); Payment of interest on any covered mortgage obligation
- Payment of a rent obligation made under a lease agreement in force before February 15, 2020; Utility payments for which service began prior to February 15, 2020.

Documentation must be provided to the Lender to support the above payments, along with verification of number of employees through payroll tax filings and a certification from the Borrower that the loan forgiveness is requested to retain employees and pay the costs outlined above. Lenders are supposed to rule no later than 60 days after a request for forgiveness has been submitted and any amounts forgive, are excluded from the Borrower's gross income.

For more information, please go to the SBA's website at <https://www.sba.gov/funding-programs/loans/paycheck-protection-program#section-header-0>

2. SBA Economic Injury Disaster Loan Program (EIDL):

- a. The SBA's Economic Injury Disaster Loans (or working capital loans) are available to small businesses, small agricultural cooperatives, small aquaculture businesses and most private non-profit organizations that are impacted by the disaster, offers services to businesses related to the disaster other businesses indirectly related to the industry likely to be harmed by losses in their communities.
- b. The EIDL program has more stringent requirements than a PPP loan. The applicant must be approved by the SBA and the loan must be repaid.
- c. Loans may be up to \$2 million; interest rates are 3.75% for small businesses and 2.75% for non-profits with terms up to 30 years. Loans may be used for expenses because of the disaster but may not be used for lost sales or profits or for expansion.
- d. Loans over \$25,000 require collateral; there is no cost to apply.

Applicants apply direct to the SBA's Disaster Assistance Program at: www.disasterloan.sba.gov/ela

Again, if you have any specific questions, please call us at 845-765-0705. We hope you and your families are safe.