

# CARES Act

The small business portion of the CARES Act is intended to help keep people on the payroll and to keep businesses operational. The CARES Act provides three main mechanism by which businesses may benefit - the Payroll Protection Program, the Employer Retention Tax Credit, and Employer Social Security Tax Deferment.

*Eligible businesses cannot take advantage of both PPP loans and the Employee Retention Tax Credit.*

	Payroll Protection Program	Employee Retention Tax Credit	Employer Social Security Tax Deferment
<b>ELIGIBILITY</b>	Under 500 employees	Business of any size, with distinctions for companies with over 100 employees	Business of any size
	Operational with employees as of 2/15/2020	Operational with employees as of 2/15/2020	Operational with employees as of 2/15/2020
<b>PROGRAM DESCRIPTION</b>	<p>The SBA will loan businesses up to \$10 million or 2.5 x business's average monthly payroll, whichever is less.</p> <p>SBA will provide 8 weeks of loan forgiveness for funds applied to payroll costs, mortgage interest, rent, and utility expenses incurred after receiving funding.</p>	<p>The Act establishes a fully refundable tax credit that covers 50% of payroll on the first \$10,000 of compensation including health benefits for each employee.</p> <p>Employers with 100+ employees can take advantage of the credit if their business is closed due to coronavirus during the period that they are closed.</p> <p>Employers with 100 or fewer employees can take advantage of the credit even if they are not closed.</p>	<p>Employers can defer the payment of the employer share of the 6.2% Social Security tax on payrolls between 3/27/20 and 12/31/20.</p> <p>These taxes will considered "on time" if 50% of the taxes are remitted by 12/31/2021 and the remaining 50% are remitted by 12/31/2022.</p>
<b>PERIOD</b>	4/3/20 - 6/30/20	3/13/20 - 12/31/20	3/27/20 - 12/31/20

## EXAMPLE:

Susan owns a hardware store that employees 75 people with a monthly average payroll cost of \$250,000. The rent on the building is \$10,000/month and utilities average \$1,500/month.

- Under the PPP, Susan would qualify for a loan of \$625,000 which she could use over the course of 8 weeks to pay her employees their full wages (\$500,000), her rent (\$20,000), and her utilities (\$3,000). So \$523,000 would be forgiven leaving Susan with \$102,000 which she can repay to the SBA or keep as a low interest loan until repayment is due in two years.
- Under the ERTC, Susan would be able to take a 50% tax credit on payroll up to the first \$10,000 of compensation before 12/31/2020. This example assumes each of her 75 employees is paid \$40,000/year. In this case, Susan would receive a fully refundable tax credit of \$375,000.
- Under the Social Security Deferment scenario, Susan has approximately 41 weeks left of payroll in 2020. Assuming each employee is paid \$40,000/year, they each have \$31,538 left to be paid in 2020. Susan's Social Security 6.2% tax obligation for each employee is \$1,955, or \$146,654 for all employees. Susan is able to defer 50% of the payment of this tax, or \$73,327, until 12/31/2021 and the remaining \$73,327 until 12/31/2022



## Which loan is right for me?

	Payroll Protection Program (PPP) Loan	Economic Injury Disaster (EIDL) Loan
<b>PURPOSE</b>	Emergency working capital to maintain payroll expenses, mortgage interest or rent payments, and utilities.	Emergency working capital to cover inventory, equipment purchases, real estate payments, and other operating expenses including fixed debts and accounts payable.
<b>ELIGIBLE BORROWERS</b>	<p>All small businesses in operation as of 2/15/20 with fewer than 500 employees</p> <ul style="list-style-type: none"> <li>• NAICS 72 sector businesses (accommodations and food service) with not more than 500 employees per location</li> <li>• 501(c)(3) nonprofits, 501(c)(19) veteran groups, and tribal businesses with fewer than 500 employees</li> <li>• Self-employed individuals</li> <li>• Independent contractors</li> <li>• Sole proprietorships</li> </ul>	<ul style="list-style-type: none"> <li>• All SBA qualified small businesses</li> <li>• Private nonprofit organizations</li> <li>• ESOPs fewer than 500 employees</li> <li>• Independent contractors</li> <li>• Sole proprietorships</li> <li>• Tribal businesses</li> </ul>
<b>LOAN AMOUNT</b>	Up to \$10 million or 2.5 x business's average monthly payroll, whichever is less.*	Up to \$2 million based on actual economic injury as determined by the SBA
<b>LOAN TERM</b>	The SBA has indicated that most PPP loans will be 2 years	Up to 30 years
<b>INTEREST</b>	1.0%	3.75% for businesses, 2.75% for nonprofits
<b>COLLATERAL</b>	No collateral	Collateral required for loans more than \$25,000
<b>PERSONAL GUARANTEE</b>	No personal guarantee	Retired for loans more than \$200,000 by owners with greater than 20% stake in the business
<b>FORGIVENESS</b>	SBA will provide 8 weeks of loan forgiveness for funds applied to payroll costs, mortgage interest, rent and utility expenses incurred after receiving funding provided that at least 75% of loan funds were used for payroll costs.	<ul style="list-style-type: none"> <li>• SBA may provide \$10,000 in emergency grants that do not need to be repaid even if the loan application is denied.</li> <li>• Grants may be spent on maintaining payroll, costs due to supply chain disruption, mortgage or lease payments, or repaying debt obligations</li> <li>• Grants may be rolled into PPP loans</li> </ul>
<b>AVAILABILITY</b>	Until 6/30/20	Emergency grants only available until 12/31/20

\*Payroll costs include salary, wage, commission, or other compensation, payments of cash tips, payments for vacation, parental family, medical, or sick leave, allowance for dismissal, healthcare benefits (including premiums), and retirement benefits, but exclude social security and medicare taxes, federal income tax, railroad retirement tax, pay to an employee under the FFCRA including emergency paid sick leave and expanded FMLA, compensation to any individual employee in excess of \$100,000/year, and compensation to employees with primary residences outside of the United States.