



# Business Survival Guide

CARES Act and other provisions for  
the COVID-19 Outbreak

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## We are facing uncertain times...

COVID-19 is forcing all businesses to adjust in a multitude of ways. Many business owners are rightfully concerned what this means for their companies as they navigate this unprecedented period.

***Our mission is to help you thrive.*** Consider the provisions listed below to protect your business, employees, and financial future. Please share this information with those you care about.

You can weather this storm. We can help. To your success,

Mark E. Clark CPA, PSC

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## Here are the changes you should be aware of: Click to navigate to each section.

1. **Loans** and Loan Forgiveness
2. Traditional SBA **Loan Forgiveness**
3. Employee Retention **Credit**
4. Payroll **tax deferral**
5. Qualified **Improvement property**
6. Net **Operating Loss**
7. **Student Loan** payment reimbursement
8. Employee **paid leave**
9. **Unemployment** Insurance
10. State Tax Filing and Payment **Deadlines**

# 1. Loans, Loans, Loans

While we normally like to operate our businesses based on its own cash flow, desperate times call for desperate measures. Congress has deputized the SBA and your local banker to deliver its support in two new ways. The features and benefits of each are:

## Economic Injury Disaster Loan (EIDL)

- Proceeds may be used to provide relief from economic injury caused by the disaster and permits you to maintain reasonable working capital.
- May receive up to \$2 million based on company's actual injury as determined by the SBA.
- 3.75 interest rate with a 30-year term for small businesses
- A \$10,000 grant (does not have to be repaid) may be requested and paid within 3 days. Re-apply online if you applied earlier and didn't get this.
- Up to \$200,000 does not require a personal guarantee.
- Loans over \$25,000 may require collateral and a determination the applicant has the ability to repay the loan.
- Apply directly through the SBA at <https://www.sba.gov/funding-programs/disaster-assistance>

## Payroll Protection Program Loan (PPP)

- Proceeds may be used to cover costs of payroll, health benefits, mortgage interest, rent, utilities, debt interest.
- May receive up to \$10 million or 2.5x average monthly payroll costs (limits apply).
- 10-year term and 4% interest rate.
- No payments for the first 6-12 months
- No personal guarantee, No collateral
- Loan forgiveness
  - Amounts must be spent within 8 weeks on 1) rent, 2) certain payroll costs, 3) mortgage interest, and 4) utilities.
  - Maximum is lowered by reductions in headcount and/or salary
  - Maximum will be reduced by \$10,000 EIDL grant
  - Debt relief will not be counted as income
- EIDL loans may be refinanced to a PPP loan
- Apply through local bank's SBA lending.

**Note:** Companies may be eligible for both loan programs, however they are unable to get both for the same costs. Further PPP loans may be delayed if an EIDL application is pending. We recommend waiting to apply for an EIDL until after PPP has been completed.

## 2. SBA Loan Forgiveness

Small businesses with *existing* or *new* (within 6 months of enactment) traditional SBA loans (such as 7(a)) will receive automatic payments on those loans for 6 months. Yep – this includes principal, interest, and fees. Check with your lender for confirmation.

## 3. Employee Retention Credit

Employers that aren't eligible or don't get PPP loan forgiveness, but who's business was fully or partially suspended due to government orders or those experiencing a significant decline (50% or more) in revenue may receive a credit equal to 50% of "qualified wages".

## 4. Payroll Tax Deferral

### Employers

The 6.2% of Social Security incurred by employer taxes due from now through December 31, 2020 are deferred. Half of the deferred amount are due Dec. 31<sup>st</sup>, 2021, with the remainder due on Dec. 31<sup>st</sup>, 2022.

### Self-Employed

Not to be left out, self-employed individuals may defer half of the social security component of their self-employment taxes too.

**Note:** Many details and possible options of this election are not clear at this time. What is clear is that employee withholding and Medicare matching payments (1.45%) must still be remitted.

**Note 2:** Employers with loans forgiven are not eligible for this deferral.

## 5. Qualified Improvement Property

Congress intended that certain interior improvements be depreciated over 15 years and be eligible for bonus depreciation. However, an error in the wording of the legislation that prevented this treatment in 2018 and 2019 has been corrected.

**Note:** Restaurant owners and retailers who have been hit particularly hard by the pandemic have the opportunity to amend their 2018 and 2019 returns and claiming the 100% Bonus Depreciation.

## 6. Net Operating Losses

Losses arising in 2018, 2019, and 2020 may be carried back five years and applied without income limitation. Recent tax law prevented losses from being applied to earlier tax years and applied an 80% income limitation.

**Note:** This allows losses to be carried back to years where tax rates were much higher.

## 7. Student Loan Payments

Employers may pay employee's student loan debt up to \$5,250 tax free.

**Note:** This is an expansion of the employer-sponsored education assistance plan. Several formalities exist and limited eligibility apply.

## 8. Employee Paid Leave

FFCRA requires employers with fewer than 500 to provide paid sick leave for families affected by the virus through December 31<sup>st</sup>, 2020. Employers are required to post and/or deliver a notice to inform employees of their rights. See the Department of Labor FAQ [here](#) and the notice [here](#). Consult your attorney or HR professional for guidance on your specific situation.

Other guidance on employment issues may be found [here](#).

## 9. Unemployment Insurance

Despite loans and tax credits, employers may be forced to make tough decisions about retaining and paying their team. KY DEW has announced several provisions to aide those employers.

1. Employees will receive money faster if employers file the claim
2. Employers account may be relieved of charges
3. Taxes due April 30<sup>th</sup> are due June 1<sup>st</sup>.

### Individuals

Eligibility for unemployment has expanded to the self-employed (including independent contractors). See our individuals guide for more information

## 10. State Tax Filing and Payment Deadlines

### Kentucky

All state tax (other than individual taxes) returns and payments due April 15<sup>th</sup> – July 15<sup>st</sup> are due July 1<sup>st</sup>. Interest will not be charged if payment is made July 15<sup>st</sup>.

### Other States

Many states are adopting business friendly delays. For details on any specific state, the AICPA is maintaining a comprehensive list at <https://www.aicpa.org/content/dam/aicpa/advocacy/tax/downloadabledocuments/coronavirus-state-filing-relief.pdf>

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