

CARES Act Summary Notes

Summary from Rayanne Buchianico of ABC Solutions published [here](#) by Channel E2E on 3/31/20

TITLE I – KEEPING AMERICAN WORKERS PAID AND EMPLOYED ACT

Section 1102 – Paycheck Protection Program

Covered Period: February 15, 2020 – June 30, 2020

Eligibility:

- Businesses or self-employed individuals with less than 500 employees, or not more than 500 per physical location if NAICS code begins with 72 (Accommodation and Food Services).
- Businesses in operation on 2/15/20 and had employees
- Paid independent contractors as reported on 1099-MISC

Maximum Loan Amount: The Lesser of average total monthly payroll costs for the 12-week period 2/15/19 – 6/30/19 multiplied by 2.5; or \$10,000,000

Allowable Uses:

- Payroll Costs
- Healthcare benefits premiums
- Paid sick, medical, or family leave
- Employee salaries, commissions or similar compensations
- Payment of mortgage, rent, utilities, and interest on any other debt obligations

Other provisions:

- No application fee will be collected
- No personal guarantee is required
- No collateral is required
- May not be combined with other economic disaster loans
- May not duplicate benefits received under Families First Coronavirus Response Act

Maturity:

- 10 years from the date of application for forgiveness
- Interest rate not to exceed 4%

Section 1103 – Entrepreneurial Development

Covered Small Business Concern:

- Supply Chain Disruptions
- Quantity and Lead Time
- Quality, including shortages for quality control reasons
- Technology, including a compromised payment network
 - Staffing challenges
 - Decrease in gross receipts or customers
 - Closure

Resource Partners:

- Small business development centers – 80% of funds
- Women’s business centers – 20% of funds

Grants will be awarded to resource partners to provide education, training, and advising of covered small business concerns.

Section 1104 – State Trade Expansion Program

Reimbursement for financial losses relating to a foreign trade mission or trade show exhibition that was canceled solely due to a public health emergency declared due to COVID-19, if the reimbursement does not exceed a recipient’s grant funding.

Section 1106 – Loan Forgiveness

Covered Loan: Section 1102 above

Covered Mortgage:

- Debt incurred in the ordinary course of business,
- Mortgage on real or personal property, and
- Incurred before February 15, 2020

Expected Forgiveness Amount: the sum of

- Payroll costs
- Interest payments on covered mortgages
- Rent payments
- Utility payments
- Amounts forgiven will be considered “canceled debt” by the lender but will be exempt from taxation.

Limits on Amount of Forgiveness:

- Amounts in excess of the principal on the loan will not be forgiven.
- Forgiveness will be reduced proportionately by any reduction in employees retained compared to either (i) the prior year, or (ii) the period of January 1, 2020, thru February 29, 2020 (measured based on average employees per month).
- Forgiveness will be reduced proportionately by any reduction in pay of any employee beyond 25% of their prior year compensation (measured from the most recent full quarter prior to the origination date of the loan).
- Payroll costs eligible for forgiveness do not include compensation paid to employees in excess of \$100,000 annually.

Documentation Needed:

- Verification of employment and payroll costs
- Verification of mortgage interest payments, rent payments, and utility payments
- Certification from borrower

Section 1110 – Emergency EIDL Grants

Covered Period: January 31, 2020 – December 31, 2020

Economic Injury must be proven

Eligible Entities:

- A business with not more than 500 employees
- An individual who operates under a sole proprietorship, with or without employees, or as an independent contractor
- A cooperative with not more than 500 employees
- An ESOP with not more than 500 employees
- A tribal small business concern

Standard SBA lending rules waived:

- Personal guarantee on loans up to \$200,000
- In business for at least one year before the disaster, but must have been in business on January 31, 2020
- Applicant is unable to obtain credit elsewhere

Use of Funds

- Loans will not exceed \$10,000
- Providing paid sick leave to employees unable to work because COVID-19
- Maintain payroll/retain employees during business disruptions
- Meet increased costs due to interrupted supply chains
- Rent or mortgage payments
- Repay obligations that cannot be met due to revenue losses

No repayment of Emergency EIDL Grants is required

However, if a payroll loan is subsequently made, the forgiveness will be reduced by the amount of this advance.

TITLE II – ASSISTANCE FOR AMERICAN WORKERS, FAMILIES AND BUSINESSES

Section 2102 – Unemployment Assistance

Covered period: January 27, 2020 through December 31, 2020

Eligible people:

- Workers able to work, or
- Unable to work for COVID-19 related reasons
- Self-employed
- Those without sufficient work history or otherwise would not normally qualify

Excluded people:

- Individuals who can telework with pay, or
- Individuals receiving paid sick leave or other paid benefits

Duration: 39 weeks of unemployment benefits

Amount: Determined by state law, plus \$600

Section 2105 – Full Federal Funding of the first week of unemployment, no waiting period.

Funds in the employment security administration account will be used to fund the unemployment efforts

States may participate in the Pandemic Emergency Unemployment Compensation Agreement to provide the 39 weeks of unemployment benefits once the state benefit has been exhausted.

Section 2201 – Recovery Rebates for Individuals

\$1200 per eligible individual, \$2400 for eligible joint returns

\$500 per qualifying child

Limitation based on Adjusted Gross Income

- Credit will be reduced by when AGI exceeds
 - \$150,000 for a joint return
 - \$112,500 for head of household
 - \$75,000 all other filing statuses

Eligibility: All individuals except:

- Nonresident alien
- Dependent of another
- Estate or Trust

Rebate checks will not be reduced by federal taxes, levies, or garnishments

Retirement funds – Up to \$100,000 in distributions without early distribution penalty for COVID-19 related distributions. Have up to 3 years to recontribute the money back to the plan (a 3-year interest free loan from your 401k or IRA). If you do not recontribute within 3 years, the distribution is taxable, but not penalized. And, that income can be spread over three years

Loans from Qualified Plans increase to \$100,000, up from \$50,000.

Loan repayments, including existing loans are deferred for one year

Required Minimum Distributions are suspended for 2020 for most plans

Qualified Charitable Contributions

- Beginning in 2020, there will be an adjustment to income for a maximum of \$300 for charitable contributions.
- Temporary suspension of limitations on cash contributions

Section 2301 – Employee Retention Credit

Eligible employers will receive a credit against applicable employment taxes for each calendar quarter equal to 50% of qualified wages. Total wages cannot exceed \$10,000 per employee.

Credit is limited to employment taxes and reduced by any credits allowed under the Families First Coronavirus Response Act.

Excess credit over balance due will be refunded

Covered period: The first calendar quarter after December 31, 2019 in which gross receipts are less than 50% of the same calendar quarter in the prior year through the last day of the quarter in which gross revenue meets or exceeds 80% of the gross receipts for that same quarter in the prior year.

Eligible employer:

- In business in 2020 with employees
- Operations are fully or partially suspended during the calendar quarter within the covered period
- Gross receipts for calendar quarter are less than 50% of gross receipts for the same calendar quarter in the prior year

Qualified Wages:

- Employee wages cannot exceed the amount that employee would have been paid during the 30 days immediately preceding such period.
- Qualified health plan expenses