

Financial and Cash Flow Impacts During the COVID-19 Crisis

New Acts in 2020

- Coronavirus Preparedness and Response Supplemental Appropriations Act
- Families First Coronavirus Response Act
- Coronavirus Aid, Relief, and Economic Security (CARES) Act

General Financial Considerations

- Income Tax
 - The deadline to file for 2019 and make the final 2019 estimate is moved from April 15th to July 15th
 - Current year losses can be carried back three years to generate tax refunds
 - If your income has decreased significantly from last year, adjust your forward estimates
 - You may also delay IRA and Roth contributions based on this timeline
- Student Loans
 - May defer payments on federal loans through sept and no interest
 - Employers may contribute \$5,250 towards the loan and not include in employee income
- Retirement plan withdrawals
 - Retirement plan (IRA, 401k, 403b or any other employer sponsored plan) withdrawals up to \$100,000 can be taken without the 10% penalty or tax withholding
 - The taxes can be spread out over 3 years
 - The funds can also be returned to the IRA within 3 years
- RMD's waived for 2020
- Loan deferment – contact your bank to request a deferment of payments
- Rent deferment – contact your landlord to request a deferment of payments
- Stop retirement contributions
 - Individual contributions
 - Matching contributions
- Draw on your line of credit
- Open a line of credit against any liquid investments

- CARES Act employee retention credit
 - 50% of wages up to \$10,000 - applies to qualified wages paid after March 12, 2020, and before January 1, 2021
 - Cannot apply for the PPP if you take this option

- Paid sick leave credits
 - 100% if isolation, quarantine or contracted
 - 2/3 if caring for sick or child where school closed
 - Credit of \$200 per day \$511 per day, capped at 10 days
 - Should be able to retain this amount of payroll taxes instead of deposit with the IRS – can apply for more if not enough

- Unemployment
 - If someone is unemployed, benefits are increased by \$600 per week over what they would normally qualify for four months
 - Regular benefits range from \$200 to \$550 per week.
 - So the total income someone would receive is now between \$800 per week and \$1,150 per week (\$3,200 to \$4,600 per month).
 - This is the equivalent of someone earning between \$38,400 and \$55,200 per year

- \$1,200 Payment to Individuals
 - Individuals will receive \$1,200, Married Couples \$2,400 and \$500 for each dependent child
 - This is phased out for Adjusted Gross Income above \$75,000 for individuals, \$150,000 for married filing jointly and \$112,500 for head of household
 - This will be based on your most recent tax return (2018 or 2019 if filed)
 - If you have direct deposit with the IRS on file, this will be automatically sent to you
 - If you do not have direct deposit, the IRS is developing a web portal to request payment

SBA Loan Options

- You may apply for both the Economic Injury Disaster Loan (EIDL) and the Paycheck Protection Program (PPP) – but only accept one per business
- If you have a previous 7a SBA loan, it may be refinanced into the PPP loan below
- SBA will pay legal or tax advisor fees for filing the applications
- Create a separate account for proceeds to make it easier to track
- Small Biz Loan Relief - If have existing SBA loan, the SBA will pay principal interest and fees on 7(a) loans for 5 months

- Economic Injury Disaster Loan (EIDL)
 - Available to businesses with less than 500 employees
 - Loan of up to \$2,000,000 at an interest rate of 3.75% and can be paid back over 30 years
 - Principal and interest may be deferred for up to 1 year
 - This loan is eligible to pay fixed debts, payroll, accounts payable and/or other bills that cannot be paid due to financial impact
 - You apply with the SBA for this loan and they determine the amount based on their underwriting process
 - As part of this loan, you can apply for a \$10,000 grant that may be kept even if you do not finalize the loan
 - EIDL Interaction: Small-business borrowers cannot get both an EIDL (Economic Injury Disaster Loan) and PPP loan at the same time. A borrower can apply for an EIDL loan now and the PPP loan when it becomes available. If a borrower accepts the EIDL loan, and subsequently qualifies for the PPP loan, the borrower can re-finance the EIDL loan into a PPP loan. Loans are limited to one per Taxpayer Identification Number.

- Paycheck Protection Program (PPP)
 - This loan is available for up to 2.5x your average monthly operating costs in 2019
 - Costs included for the calculation are:
 - Compensation (salary, wage, commission, or similar compensation, payment of cash tip or equivalent)
 - Payment for vacation, parental, family, medical, or sick leave
 - Allowance for dismissal or separation
 - Payment required for the provisions of group health care benefits, including insurance premiums
 - Payment of any retirement benefit
 - Payment of State or local tax assessed on the compensation of employees
 - Salary for the calculation is capped at \$100,000 annually for any individual
 - Any portion of the loan used for the above costs during the 8 week period following approval are forgivable
 - 75% or more of the loan forgiveness must be for payroll costs
 - The other 25% can include rent and utilities that can also be paid with this loan and forgiven
 - Also, if during the 8'week period, wages are less than before the crisis, there will be a pro rata reduction. If wages are 50% less, forgiveness is 50% less
 - The remaining loan may be paid over 10 years at 0.5% interest
 - 1099 contractors DO NOT count in the above calculations
 - What do I need to certify? As part of your application, you need to certify in good faith that:
 - Current economic uncertainty makes the loan necessary to support your ongoing operations.
 - The funds will be used to retain workers and maintain payroll or to make mortgage, lease, and utility payments.

- You have not and will not receive another loan under this program.
 - You will provide to the lender documentation that verifies the number of full-time equivalent employees on payroll and the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight weeks after getting this loan.
 - Loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.
 - All the information you provided in your application and in all supporting documents and forms is true and accurate. Knowingly making a false statement to get a loan under this program is punishable by law.
 - You acknowledge that the lender will calculate the eligible loan amount using the tax documents you submitted. You affirm that the tax documents are identical to those you submitted to the IRS. And you also understand, acknowledge, and agree that the lender can share the tax information with the SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program Requirements and all SBA reviews.
 - Number of Staff: Your loan forgiveness will be reduced if you decrease your full-time employee headcount.
 - Level of Payroll: Your loan forgiveness will also be reduced if you decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019.
 - Re-Hiring: You have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.
- Starting April 3, 2020, small businesses and sole proprietorships can apply. Starting April 10, 2020, independent contractors and self-employed individuals can apply. We encourage you to apply as quickly as you can because there is a funding cap.
 - All loans under this program will have the following identical features:
 - Interest rate of 1%
 - Maturity of 2 years
 - First payment deferred for six months
 - 100% guarantee by SBA
 - No collateral
 - No personal guarantees
 - No borrower or lender fees payable to SBA