

March 26, 2020

While the CARES Act has passed the Senate and is anticipated to pass the house on Friday, there could still be further modifications. The information below is as the CARES Act is currently written.

Stimulus Payments to Individuals

Individuals can expect to receive a \$1,200 payment from the government. This amount would phase out for taxpayers with adjusted gross income in excess of \$75,000, and those making more than \$99,000 would not qualify at all. Married couples would receive \$2,400 and \$500 for each child under age 17. These amounts would phase out for adjusted gross incomes between \$150,000 and \$198,000. The article below includes a calculator you can use to determine the amount of stimulus you can expect.

https://www.washingtonpost.com/graphics/business/coronavirus-stimulus-check-calculator/?itid=lk_interstitial_manual_8

Student Loan Payments Suspended

Payments for student loans under the Federal Family Education Loan and Direct Loan programs will be suspended, without interest, through September 30, 2020. This does not apply to private student loans.

Unemployment Benefits

Employees that qualify for unemployment benefits will receive an additional \$600 a week, for four months, in addition to the state benefits they already qualify for. Currently, Missouri's maximum benefits are \$320 per week. If your employer closed or reduced your hours due to the Coronavirus, you are eligible for unemployment benefits

Unemployment benefits are also being expanded to cover independent contractors and self-employed individuals. Workers who are able to work from home and those receiving paid sick leave or paid family leave would not be eligible.

Small Business Interruption Loans

Small businesses (those under 500 employees) are eligible for loans that can be used for payroll, health insurance benefits, mortgage payments, rent, utilities, and other debts. These would be unsecured (no collateral required) and are eligible for forgiveness if they meet specific criteria. We are watching this part of the Bill very closely for additional guidance as this will apply to many of our clients. The following is the information we have read as of today.

Maximum loan amount:

- I. 2.5 times average total monthly payroll costs of one-year period prior to loan PLUS outstanding balance of loan made under SBA's Disaster Loan Program after January 30, 2020
OR
- II. (for new businesses) 2.5 times average total monthly payroll costs from January 1, 2020 to February 26, 2020 PLUS outstanding balance of loan made under SBA's Disaster Loan Program after January 30, 2020
OR
- III. \$10 million

There are very few borrower requirements to obtain a loan under the new program. Those requirements include a good-faith certification that:

- I. The loan is needed to continue operations during the COVID-19 emergency;
- II. Funds will be used to retain workers and maintain payroll or make mortgage, lease, and utility payments;
- III. The applicant does not have any other application pending under this program for the same purpose; AND
- IV. From February 15, 2020 until December 31, 2020, the applicant has not received duplicative amounts under this program.

Businesses may, in addition to uses already allowed under the SBA's Business Loan Program, use the loans for:

- I. Payroll costs:
 - a. Includes: compensation to employees, such as salary, wage, commissions, cash, etc.; paid leave; severance payments; payment for group health benefits, including insurance premiums; retirement benefits; state and local payroll taxes; and compensation to sole proprietors or independent contractors (including commission-based compensation) up to \$100,000 in 1 year, prorated for the covered period;
 - b. Excludes: individual employee compensation above \$100,000 per year, prorated for the covered period; certain federal taxes; compensation to employees whose principal place of residence is outside of the US; and sick and family leave wages for which credit is allowed under the Families First Act;
- II. Group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums;
- III. Salaries, commissions, or similar compensations;
- IV. Payments of interest on mortgage obligations;
- V. Rent/lease agreement payments;
- VI. Utilities; and
- VII. Interest on any other debt obligations incurred before the covered period.

In evaluating eligibility of borrowers, a lender must consider whether the borrower was operating on February 15, 2020 and had employees or independent contractors for whom the borrower paid.

Retirement Account Withdrawal

Distributions from certain retirement plans up to \$100,000 would be exempt from the 10% early withdrawal penalty. The income tax on this distribution would be paid over three years rather than all in the year of withdrawal. Qualifying taxpayers would also be allowed to repay these distributions to the plans.

Required Minimum Distributions (RMDs)

RMDs would be waived for 2020.

Payroll Tax Credit for Employers

Employers are eligible for a **50 percent refundable payroll tax credit** on wages paid up to \$10,000 during the crisis. It would be available to employers whose businesses were disrupted due to virus-related shutdowns and firms experiencing a decrease in gross receipts of 50 percent or more when compared to the same quarter last year. The credit is available for employees retained but not currently working due to the crisis for firms with more than 100 employees, and for all employee wages for firms with 100 or fewer employees.

Employer-side Payroll Tax Payment Deferral

The time to remit the employer portion of payroll taxes, including the employer portion of self-employment taxes, is extended. The taxes are required to be paid over the next two years, with half due by December 31, 2021, and the remainder due by December 31, 2022.

Net Operating Losses (NOLs)

Individuals and businesses with NOLs that originated in 2018, 2019, or 2020 could be carried back five years for tax refunds.

Our Thoughts and Other Notes....

- If you have a debt and are concerned about future cash flows, reach out to your lender to discuss possibly loan modifications or suspended/reduced payments. We have heard of lenders deferring payments with no additional interest/penalties. Others have reduced the loans to interest only during this pandemic.
- Rent – some landlords have voluntarily reduced rent for a few months. Some clients have successfully requested a reduced rate. Others have been told “no”.

- Payroll credits, unemployment, lay-offs, sick pay, loan forgiveness – all of these things are getting thrown at us. We are trying to analyze what is best for employers/employees. With constantly evolving laws and assistance developing we are sitting tight on some of this to see what finally shakes out. With this new law so close to being put into place, we should have recommendations for clients early next week.
- Loans – we definitely pushed for SBA disaster loan applications to be submitted. We don't know if these loans will be subject to forgiveness or not. Recent news has told us this is a possibility. Keep in mind the SBA Disaster loan website underwent an update and the application process has completely been modified. You will now download the forms, complete them and upload to the SBA. Feel free to reach out with questions.
- Credit vs. Cash – remember, you can't pay payroll with a credit card. While many do not carry credit card balances and paying interest at high rates seems crazy, it might be the time to utilize a month or two of carried credit card balances. Many bills, especially payroll, cannot be paid with a credit card. This goes back to cash flow – we all need to keep that in the back of our minds right now.
- We received additional information from Hillenbrand and Company regarding common health insurance questions being asked at this point and wanted to share.
 - *All health insurance companies are waiving copays and out of pockets for Covid testing. There is a caveat that you have to be experiencing symptoms or something that gives you reason to think you should be tested. If you are getting tested as a preventive measure without symptoms it appears this will count towards your deductible – at least for now*
 - *If your company has layoffs, insurers are allowing all employees to stay on their plan even though they are not actively employed. If an employer cannot financially support the ongoing premium payments, then employees have standard COBRA rights to stay on the plan at their own cost. Furthermore, if employees drop their coverage due to financial constraints, they will be able to rejoin to plan under a qualifying event without a standard waiting period. The only thing that jeopardizes this is if the employer entirely cancels their insurance plan. As long as 1 person stays on the plan to keep it active, the coverage will stay in force.*
 - *For clients with other benefits (dental, life, disability, etc.) there has not been uniform communication from insurance carriers. Most have communicated that in order for the coverages to stay in force, premiums have to be paid, and some but not all are allowing laid off employees to retain their coverage on a short-term basis. This is a fluid situation and if you have specific questions about your particular coverage please reach out to our office.*
 - *United Healthcare is allowing employees who previously waived participation in the health insurance plan to come aboard now until the end of the month. If you have any uninsured full-time employees, this is a good chance for them to obtain coverage. We have not seen a similar program offered by Anthem, Aetna and Cigna yet.*