

Dear Clients,

We hope you and your families are in good health and staying safe. Many of you have already contacted us but we wanted to ensure that in case you are not aware of the multiple programs available to you following is our summary for your reference:

CARES ACT:

On March 27, 2020, the President signed the Coronavirus Aid, Relief, and Economic Security Act or “CARES Act” that provides for:

- Economic impact payments for qualified individuals;
- Low-interest Payroll Protection loans for businesses with fewer than 500 employees per location (more employees in some instances), with a portion of the loan eligible for loan forgiveness;
- New Employee Retention Credits;
- The delay of employer payroll tax payments;
- Retirement plan benefits;
- Expanded unemployment insurance coverage for workers and self-employed individuals impacted by COVID-19; and
- Major tax relief for individuals and businesses.

Key programs that you should be aware of:

Economic Injury Disaster Loan Emergency Advance

What is the grant?

An additional \$10 billion was allotted through the CARES Act to pay SBA EIDL applicants an advance on their loans. With best guesses for the SBA processing time ranging from 90 days to several months, this is evidently a response to how slowly the SBA has been able to process these applications. This injection aims to help small businesses bridge the critical time spent waiting for a final decision on their loan.

How much will I get?

This is not a flat \$10,000 grant to all applicants. **\$10,000 is simply the *maximum* you could possibly receive.**

You may apply for Small Business Loan beyond the grant. You can get more information by going to the SBA link: <https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>

How do I get the grant?

This grant is not included by default and must be officially requested. On the current SBA applications, this is very easy—just check the box indicating that you would like to be considered for the up to \$10,000 advance, and then fill in your banking information for a direct deposit.

If you filled out the old application (without the option for opting into the grant), you will need to reapply using the new system. The SBA has been saying you won't lose your initial place in the queue, and the second application serves as a request for the grant.

APPLICATION LINK: <https://covid19relief.sba.gov/#/>
(See attached for application completion guide)

When will I get the grant?

According to the SBA you'll receive the grant "within days" of completing your application.

If you filled out the old application involving pdf forms, this amount should be deposited within days of speaking to a loan officer about your application.

This, unfortunately, brings us right back to the unpredictability of the SBA's processing times. We simply don't know how long it will take the SBA to actually process these requests and deposit the funds. It's important to remember that the SBA has never opened their applications to all 50 states and territories at the same time before, and this is a completely unprecedented situation.

Do I have to pay it back?

While the SBA refers to this program as an advance, it was written into law as a grant. This means that the amount you are given through this program does not need to be repaid, even if your application is ultimately rejected. There will be no interest charged on this amount. We believe that the SBA is referring to this as an advance because it will be subtracted from the total loan amount you are issued. Keep in mind that your final loan will, of course, require repayment.

Is the grant given to everyone who applies?

The short answer is yes. We have no reason to believe that any business eligible to apply for a disaster loan can be disqualified from this funding. If you are eligible for the SBA EIDL, you are eligible for this grant.

With that said, keep in mind that the funds assigned to this program are separate from the funds allocated to the Disaster Loans, and these funds are finite. Once the SBA has depleted their budget, there will be no more advances available—unless the government releases more funding.

PAYCHECK PROTECTION PROGRAM

Key Deadlines: Application opens April 3 for Small Businesses and Sole Proprietors and April 10 for Independent Contractors and Self-Employed

The CARES Act provides an additional \$349 billion to the Small Business Administration to guarantee loans related to COVID-19. (CARES Act §1102) The Small Business Administration will guarantee 100% of Paycheck Protection Program loans made between February 15, 2020, and June 30, 2020 (the “covered period”), in an amount equivalent to 2.5 times a qualified small business’s monthly payroll costs, up to a maximum of \$10 million.

Key benefits of the program include:

- **The loans may be forgiven for amounts used to cover basic operating expenses** such as payroll costs, rent and mortgage, and utilities for up to eight weeks from the loan origination date, **if the business retains its workforce at specified salary levels;**
- Loan payment deferral for a period of six months (though interest will run during that period).
- No personal guarantees or collateral requirements; and
- Waiver of Small Business Administration fees.

MAXIMUM LOAN AMOUNT The maximum loan amount for the covered period is equal to the lesser of:

- 2.5 times the average monthly payroll costs (up to \$100,000 annual limit per worker) during the one year before the date on which the loan is made, plus any refinanced Economic Injury Disaster Loans; or
- \$10 million. A business may only receive one loan under the Paycheck Protection Program.

Payroll costs “Payroll costs” means the sum of the following payments:

- Salary, wages, or other compensation paid to an employee, sole proprietor, or independent contractor (up to \$100,000 annual limit per worker) Note that recent guidance clarifies that independent contractors can apply for their own loans, so they do not count for loan calculation purposes.
- Payment of cash tips or equivalents.
- Vacation, parental, family, medical or sick leave.
- Termination allowances.
- Group health care benefits, including insurance premiums.
- Retirement benefit payments; and
- State or local payroll taxes

LOAN FORGIVENESS

Eligible loan recipients may have a portion of their loan forgiven if used for specified purposes. The amount that may be forgiven is equal to the following costs incurred and payments made during the eight-week period beginning on the loan origination date:

- Payroll costs as previously discussed.
- Mortgage interest on a mortgage taken out by the borrower for real or personal property incurred prior to February 15, 2020 (not including prepayments).
- Rent on a lease taken out before February 15, 2020; and
- Utilities for service begun before February 15, 2020.

Borrowers apply for loan forgiveness from their lender, and lenders have up to 60 days to issue a decision. The applicant must submit:

- Payroll records, including copies of payroll tax returns and W-2s going back to the first quarter of 2019 — including documentation of full-time versus part-time employees, as well as any unemployment insurance filings.
- Documentation of qualifying expenses (including cancelled checks, payment receipts, transcripts of accounts verifying payments of mortgage, rents, and covered utilities).
- A certified statement from an authorized representative of the business attesting that:
 - o the documentation submitted is true and correct; and
 - o the amount of the loan sought to be forgiven was used to cover qualified expenses

WHO'S ELIGIBLE FOR THE LOAN?

Any business, including sole proprietorships, self-employed individuals, and independent contractors (including gig workers such as Uber drivers) in operation on February 15, 2020, may receive a Paycheck Protection loan if they have fewer than 500 employees (both full-time and part time employees are counted).

To qualify, an eligible self-employed individual, independent contractor, or sole proprietorship must submit such documentation as is necessary to establish such individual as eligible, including payroll tax filings, Forms 1099–MISC, and income and expenses from the sole proprietorship. Nonprofit organizations, tribal businesses, or veterans' organizations are also eligible for the program.

USE OF LOANS

Loans may be used to cover:

- Payroll costs (as defined on page 7).
- Costs related to continuing coverage of group health care benefits.
- Mortgage payments.
- Rent and utilities; and
- Interest on any other debts incurred before February 15, 2020.

HOW TO APPLY

Businesses can apply for a loan at any lending institution that is approved to participate in the program through the existing U.S. Small Business Administration (SBA) 7(a) lending program and additional lenders approved by the Department of Treasury. Most likely the bank the business already uses will be able to assist them with procuring the loan (once the Small Business Administration provides them with guidelines and procedures). According to the Treasury Department, applications may be submitted as follows:

- Starting April 3, 2020, small businesses and sole proprietorships can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders.
- Starting April 10, 2020, independent contractors and self-employed individuals can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders. The application is included on the following two pages of these materials and is also available at:

APPLICATION: <https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Application-3-30-2020-v3.pdf>

General Information: <https://home.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses>

ECONOMIC IMPACT PAYMENTS

Eligible individuals will be receiving economic impact payments, referred to as “2020 recovery rebates.” These are advance payments of a 2020 taxable year. Amounts will be based on the Adjusted Gross Income reported on your 2019 tax returns and if you have not yet filed then they will use 2018 information. The payments will be made as “rapidly as possible” and will automatically be sent out by the IRS without an application by the taxpayer.

For taxpayers who have not previously provided bank information for direct deposit or withdrawal, in the coming weeks, the Treasury plans to develop a web-based portal for individuals to provide their banking information to the IRS online so that individuals can receive payments immediately as opposed to checks in the mail. **BE VERY CAREFUL FOR FRAUDSTERS** looking to claim they are the IRS gathering your bank information.

Economic Impact Payment AGI and Phaseout Levels		
Filing status	Phase out begins at AGI of ...	Credit phased out at ...
Married filing joint	\$150,000	\$198,000 if no children (add \$10,000 for each qualified child)
Head of household	\$112,500	\$146,500 if one child (add \$10,000 for each additional qualified child)
Single	\$75,000	\$99,000

PANDEMIC UNEMPLOYMENT ASSISTANCE

The federal government will cover 100% of the costs of an expanded unemployment assistance program that will provide up to 39 weeks of unemployment insurance coverage and an additional \$600 in weekly benefits to all recipients from the date a state enters into an agreement with the U.S. Department of Labor to provide the increased benefits, until June 30, 2020.

The CARES Act also expands unemployment benefits (referred to as “pandemic unemployment assistance”) to individuals who historically have been ineligible for benefits, such as long-term unemployed or self-employed individuals and independent contractors who are unemployed, partially unemployed, or unable to work due to COVID-19. The benefits are available beginning on or after January 27, 2020 and ending before January 1, 2021. (CARES Act §2101)

WHO IS ELIGIBLE?

Covered individuals eligible for the pandemic insurance assistance benefits include those who have previously exhausted their unemployment benefits and are unable to return to work due to a variety of reasons related to COVID-19. It also includes:

- Individuals who have not been recently working; and
- Self-employed individuals and independent contractors (e.g., gig workers). However, the benefits are not available to those individuals who are:
 - Able to work or telework with pay; or
 - Receiving paid sick leave other paid leave benefits.

“Covered individual” for pandemic unemployment assistance To qualify for the expanded relief available to self-employed individuals, independent contractors, and long-term unemployed individuals, an individual must self-certify that he or she is able and available to work, except the individual is unemployed, partially unemployed, or unable or unavailable to work because:

- They have been diagnosed or are experiencing COVID-19 symptoms and are seeking a medical diagnosis.

- A member of the applicant's household has been diagnosed with COVID-19;
- They are providing care for a family member or member of the individual's household who has been diagnosed with COVID-19;
- Due to a school closure, the applicant is taking care of their child or other person in the household for whom the applicant has primary caregiving responsibility;
- They are unable to reach their place of employment due to a COVID-related quarantine imposed as a result of the public health emergency declared by the Secretary of Health and Human Services on January 27, 2020;
- They are unable to reach the place of employment because they have been advised by a health care provider to self-quarantine due to health care concerns related to COVID-19;
- They were scheduled to commence employment and do not have a job or are unable to reach the job as a direct result of the public health emergency declared by the Secretary of Health and Human Services on January 27, 2020;
- They have become the breadwinner or major support for a household because the head of household has died as a direct result of COVID-19;
- They had to quit their job as a direct result of COVID-19;
- Their place of employment is closed as a direct result of the COVID-19 public health emergency declared by the Secretary of Health and Human Services on January 27, 2020; and
- They meet any additional criteria established by the Secretary of Labor for unemployment assistance. Self-employed individuals must show:
 - They are seeking-part-time employment;
 - They do not have sufficient work history, or otherwise would not qualify for regular unemployment or extended benefits; and
 - They meet the criteria previously listed.

WHAT PERIODS ARE COVERED?

The assistance is available retroactively to a covered individual for the period beginning on or after January 27, 2020 and ending on December 31, 2020.

EMERGENCY INCREASE IN BENEFIT AMOUNTS:

States may enter into an agreement to increase their regular unemployment compensation amounts by \$600 per week beginning on the date on which the agreement is entered into until June 30, 2020. (CARES Act §2104) This would apply to those eligible for standard or extended unemployment benefits as well as the pandemic unemployment assistance benefits.