



## **BUSINESS AID, TAX CUTS, & ASSISTANCE**

The U.S. Small Business Administration is offering designated states and territories low-interest federal disaster loans for working capital to small businesses suffering substantial economic injury as a result of the Coronavirus (COVID-19). Upon a request received from a state's or territory's Governor, SBA will issue under its own authority, as provided by the Coronavirus Preparedness and Response Supplemental Appropriations Act that was recently signed by the President, an Economic Injury Disaster Loan declaration.

- SBA's Economic Injury Disaster Loans offer up to \$2 million in assistance and can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing.
- These loans may be used to pay fixed debts, payroll, accounts payable and other bills that can't be paid because of the disaster's impact. The interest rate is 3.75% for small businesses. The interest rate for non-profits is 2.75%.
- SBA offers loans with long-term repayments in order to keep payments affordable, up to a maximum of 30 years. Terms are determined on a case-by-case basis, based upon each borrower's ability to repay.

According to the Senate Committee on Finance summary the CARES Act states the following:

- Section 2301 provides a refundable payroll tax credit for 50 percent of wages paid by employers to employees during the COVID-19 crisis. The credit is available to employers whose (1) operations were fully or partially suspended, due to a COVID-19-related shut-down order, or (2) gross receipts declined by more than 50 percent when compared to the same quarter in the prior year. The credit is based on qualified wages paid to the employee. For employers with greater than 100 full-time employees, qualified wages are wages paid to employees when they are not providing services due to the COVID-19-related circumstances described above. For eligible employers with 100 or fewer full-time employees, all employee wages qualify for the credit, whether the employer is open for business or subject to a shut-down order. The credit is provided for the first \$10,000 of compensation, including health benefits, paid to an eligible employee. The credit is provided for wages paid or incurred from March 13, 2020 through December 31, 2020.
- Section 2302 allows employers and self-employed individuals to defer payment of the employer share of the Social Security tax they otherwise are responsible for paying to the federal government with respect to their employees. Employers generally are responsible for paying a 6.2-percent Social Security tax on employee wages. The provision requires that the deferred employment tax be paid over the following two years, with half of the amount required to be paid by December 31, 2021 and the other half by December 31, 2022. The Social Security Trust Funds will be held harmless under this provision.
- Section 2306 temporarily increases the amount of interest expense businesses are allowed to deduct on their tax returns, by increasing the 30-percent limitation to 50 percent of taxable income (with adjustments) for 2019 and 2020. As businesses look to weather the storm of the current crisis, this provision will allow them to increase liquidity with a reduced cost of capital, so that they are able to continue operations and keep employees on payroll.

**ABS TAKE-AWAYS, NOTES, AND RECOMMENDATIONS:** The Small Business Administration is doing its best to provide companies with funding during this pandemic. I urge business owners to be cautious when applying for loans, do the research, look at financials and project when or if your business will recover from this tragedy. I understand you want to keep your doors open or open them back up after the quarantine is lifted, but as an owner, you also need to have reasonable expectations of repayments. With an unknown timeframe on this pandemic, if you need to apply for a loan, I encourage you to do so wisely.

I would encourage those that choose not to take a loan, to take advantage of the 50% payroll tax payment extension if they qualify, as well as any other tax breaks the Government and IRS is providing. Please understand, this is only a delay in payment, not a cancellation of debt and applies to only those wages paid during a certain time frame. This extension also comes with heavily regulated stipulations and with the burden of proof on employers to prove that the COVID-19 pandemic caused at least a 50% reduction in income from the same quarter in the previous year. Therefore, if you were not in business during the same quarter in the previous year, your business does not qualify.

**For example:** A business opened their doors in December of 2019. The owner is requesting a payroll tax payment extension for the 2<sup>nd</sup> quarter of 2020 (April, May, June). The business does not qualify for the extension because the business was not in existence April – June of 2019.

<https://www.sba.gov/disaster-assistance/coronavirus-covid-19>

*Please understand this is a rapidly evolving situation and will continue to update you as the answers become available.*