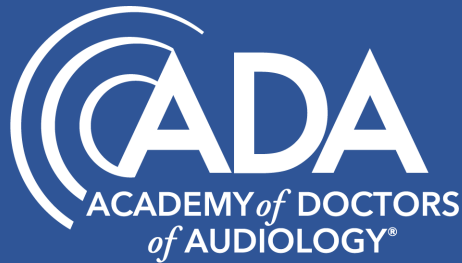


CARES Act Information for Small Business Owners



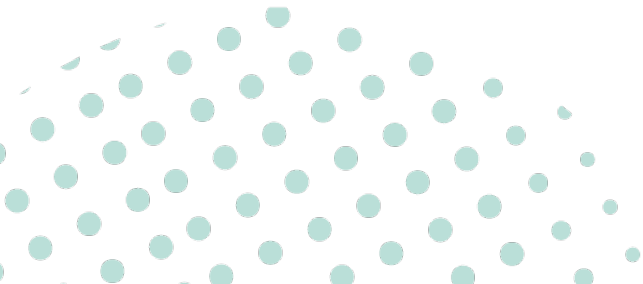
Legislative Update

Federal Stimulus (CARES ACT)

- Paycheck Protection Program (PPP)
- Economic Injury Disaster Loan Assistance (EIDLs)
- Direct Payments to Individuals
- Expansion of Unemployment



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General Counsel and
Director of Corporate
Development



Legislative Update



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Paycheck Protection Program (PPP)

Emergency Loans to Small Businesses

- **Loan Amount**

- Lesser of (1) 2.5 x monthly average payroll costs; (2) 10 million

- **Key Terms**

- 4% Interest
- No Personal Guaranty
- No Collateral
- No Fees
- Deferred payback of 6 – 12 months

- **Loan Use**

- Payroll Costs, Healthcare benefits, mortgage interest, rent, utilities, loan interest (prior to Feb 15, 2020)

- **Forgiveness**

- Amount based on permitted loan uses for first 8 weeks of loan period
- Subject to reduction if payroll or pay is reduced

Legislative Update



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Paycheck Protection Program (PPP)

What is considered a payroll cost?

- Salaries, wages, commissions, or similar compensation
- Cash tips or similar compensation
- Vacation, parental, family, medical, and sick leave
- Severance payments
- Payment of group healthcare benefits (such as insurance premiums)
- Payment of retirement benefits
- State and local tax on employee compensation

What is not considered a payroll cost?

- Pay in excess of \$100,000
- Payroll taxes and income taxes
- Qualified sick leave or family leave under Families First Act for which a credit is allowed

Legislative Update

Paycheck Protection Program (PPP)

Layoffs and Furloughs

- **Formula:**
 - Average number of full-time employees per month during 8 weeks following loan origination divided by (either one, borrower can choose):
 - Average number of full-time employees per month during Feb. 15, 2019–June 30, 2019
 - Average number of full-time employees per month during Jan. 1, 2020–Feb. 29, 2020
- There is an exemption if the reduction in the number of full-time employees occurred between February 15, 2020 through 30 days after this Act's enactment and the employer eliminates this reduction by June 30, 2020.

Reduction in Salary

- **Formula**
 - The amount of any reduction in wages that is greater than 25% compared to the most recent full quarter.



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Legislative Update

Paycheck Protection Program (PPP)

EXAMPLE:

A small business has an average monthly payroll costs of \$100,000 and applies for a PPP loan with its bank. After attesting that the COVID-19 virus has impacted its business operations, the business receives a loan of \$250,00. Over the next 8 weeks it is determined that the business has incurred \$150,000 in eligible payroll, rent and utilities expenses. The principle balance of the loan is reduced to \$100,000 and amortized over 10 years (max) at an interest rate not to exceed 4%. The first loan payment is due 12 months later (max).



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Legislative Update

Economic Injury Disaster Loan Assistance (EIDLs)

Key Differences:

- **Interest: 3.75%**
- **Amount: \$2,000,000 max**
- **Payment Deferrals: 12 months (interest accrues)**
- **Use of Funds: Financial obligations and operating expenses that could have been met had the disaster not occurred**
- **Security: Lien on assets + Personal Guaranty**
- **Loan Forgiveness: None**
- **Application Process: 2-3 weeks (\$10,000 advance within 3 days, no repayment if denied), application is live today, there is no obligation to accept the loan if you qualify**



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Legislative Update

Direct Payments to Individuals

- Single filers will receive recovery rebate payments of \$1,200
- Married-filing-jointly filers will receive \$2,400, plus \$500 per child.
- Families will receive \$500 per child (must be claimed as dependent)
- Phase-outs will begin at \$75,000 (single), \$112,500 (HOH) and \$150,000 (joint).
- The rebates apply to tax filers and certain non-tax filers, including Social Security recipients.



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Legislative Update

Expansion of Unemployment

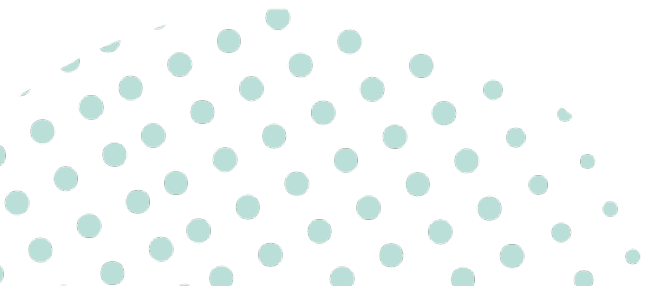
- Extended duration by 13 weeks
- Increase in payments by \$600 per week
- State incentive to waive waiting period
- Federally Funded
- Applies to gig economy and self-employed recipients



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Thank You!



CARES Act Information for Small Business Owners

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DARVERKELLY

Certified Public Accountants

Paycheck Protection Program (PPP)

- What should you do First?

- Contact **your local banker** to discuss
- Ensure they are aware of the program requirements
- All banks and credit unions will be able to process program applications. Verify that your bank intends to support the program

Paycheck Protection Program (PPP)

- When can I apply?
 - April 3rd - Small Business and Sole Proprietors - through existing SBA Lenders
 - April 10th - Independent Contractors and Self-Employed - through existing SBA Lenders
 - Other regulated lenders can make loans as soon as they are approved.

Paycheck Protection Program (PPP)

- What do I need to apply?
- Completed Paycheck Protection Program Loan Application
 - Copy provided with presentation.
 - WWW.home.treasury.gov
- Payroll Documentation (can vary by lender)

Paycheck Protection Program (PPP)

Important Note:

There are 2 phases of this process based on different calculations.

1. The Application - Loan amount based on average monthly payroll calculation

2. The Forgiveness - Has to be applied for after the fact, based on different calculation - Payroll Cost, Benefits, Rent or Mortgage interest, Utilities

Paycheck Protection Program (PPP)

- **Loan Application**

- **What is Average Monthly Payroll?**

Non Seasonal Business:

Average monthly payroll for 2019

Excluding costs over \$100K

For each employee

Includes: Salary, commissions, tips, vacation/sick leave, group health insurance premiums and retirement benefits (company cost)

Paycheck Protection Program (PPP)

- **Loan Application**
 - **What is Average Monthly Payroll?**

New Business:

Average monthly payroll for 1/1/2020-
02/29/2020

Excluding costs over \$100K

For each employee

Includes: Salary, commissions, tips, vacation/sick leave, group health insurance premiums and retirement benefits (company cost)

Paycheck Protection Program (PPP)

- **Loan Application**

Please verify the information that you are providing in the application with your Accountant.

Paycheck Protection Program (PPP)

- **Loan Application**

Who Needs to Sign Application?

- Sole Proprietor or
- Partners owning 20% or more of equity of business or
- Corporations - Owners of 20% or more of corporation or
- LLC - All members owning 20% of company

Paycheck Protection Program (PPP)

- Be Proactive - Suggested Payroll Documents to gather now:
 - Payroll Registers - Year to Date - 2019 and 2020
 - State and Local Taxes related to Payroll (Unemployment, Employer paid taxes, not withholdings)
 - 2019 tax return OR 2019 Financial Statements (Balance Sheet & P&L)
 - Payments for group Health Insurance Premiums 2019 and 2020 (Company Portion)
 - Payments for any Retirement Benefits paid in 2019 and 2020 (Company Portion)

Paycheck Protection Program (PPP)

Loan Forgiveness is based on how you used the funds.

Loans will be forgiven as long as the loan proceeds are used to cover the following over the 8-week period after the loan is made and employee and compensation levels are maintained:

- Payroll Costs
- Mortgage interest or Rent
- Utilities

Paycheck Protection Program (PPP)

Loan Forgiveness is based on how you used the funds.

What counts as Payroll Cost:

- Salary, wages, commissions or tips (capped at \$100K annualized) for each employee
- Benefits such as health insurance premiums and retirement contributions
- State and Local taxes assessed ON Compensation.
- Sole Proprietor or Independent Contractor - wages, commissions, income or net earnings for self-employment, Capped at \$100K Annualized

Paycheck Protection Program (PPP)

Loan Forgiveness is based on how you used the funds.

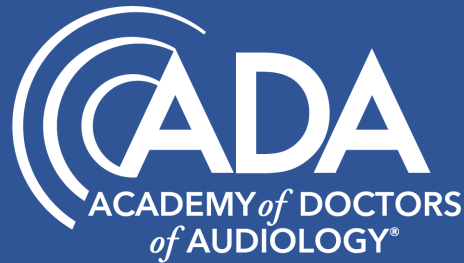
How much will be forgiven:

You will owe money when your loan is due if you use the loan amount for other than payroll costs, mortgage interest, rent and utilities payments over the 8 Weeks (Covered Period) after getting the loan. OR

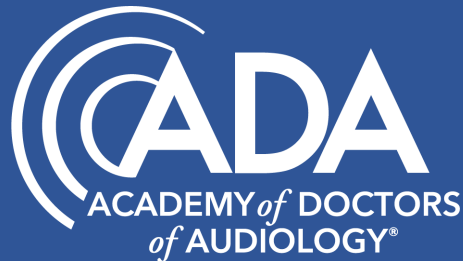
If you do not maintain your staff or payroll.

- FTE Headcount
- Level of Payroll (reduced if you decrease wages by more than 25% for any employee that made less than \$100K)
- Re-hire - you have until June 30, 2020 to restore FTE

Please type your question
into the question queue.



1. Please donate blood if you can.
2. Please contact me at sczuhajewski@audiologist.org if you have additional questions, or if I can assist you in any way.



CARES Act Information for Small Business Owners

