



CARES Act: Emergency Funding & Tax Relief

April 2, 2020

Webinar starts at 1:30 p.m. CT

Presented by:

Administration



Reminder: We are not offering CPE or HR credit for today's discussion.



For best quality, call in by phone instead of using your computer speakers.



To ask questions during the presentation, use the questions box on the right side of your screen.



Today's topics

- Emergency funding programs
- Other relief initiatives
- Payroll tax credits
- Payroll tax deferrals
- Business tax relief provisions



Presenter

SHAWN SULLIVAN

Executive Vice President, Tax Services

- Extensive public and private accounting experience
- Experience in M&A, international tax and business structuring
- Member of AICPA and KSCPA



Presenter

TODD RICHARDSON

Vice President, Corporate Finance Services

- Certified Public Accountant
- 25 years of private industry experience with a background in real estate, retail, hospitality and manufacturing
- Expertise in strategic planning, financial modeling and retail mergers and acquisitions



Presenter

JOHN TROWBRIDGE

Senior Vice President, Business Development

- 30 years of tax consulting experience
- Former commercial lender
- Handles client relationships and development
- Member of AICPA, KSCPA, RMA and numerous civic organizations

Objectives

- Review emergency funding initiatives
- Discuss other relief initiatives
- Explore how to access and integrate these initiatives
- Take general questions as we go
- Address specific questions offline



Emergency funding initiatives

- Paycheck Protection Program
- Economic Injury Disaster Loans
- Emergency economic injury grants
- Small business debt relief program
- Federal Reserve Emergency Capital Liquidity Facilities
- Kansas programs



Paycheck Protection Program

Overview:

- Intended to provide eight weeks of funding
 - Payroll expenses, rent, utilities, mortgage interest
- Loan amount based on 2.5 months average payroll costs
- Maximum loan \$10 million
- Loan forgiveness feature
- Two year loan with interest at .5%, no payments for six months
- No personal guarantees or collateral required or allowed



Paycheck Protection Program

Who qualifies:

- Business with 500 or fewer employees (12 month average)
 - Must include controlled affiliate entities to test employee count
 - Exception for multi-location accommodation and food services businesses provided 500 or fewer employees per location
- Must have been in operation on 2/15/2020
- 501(c)3 non-profits, 501(c)(19) veteran organizations
- Tribal businesses
- Sole proprietors and independent contractors



Paycheck Protection Program

Determination of loan amount:

- 2.5 times average monthly “payroll costs” from prior one-year period
- Payroll costs include:
 - Compensation (capped at \$100,000 per employee), plus health care and retirement benefits, and State unemployment tax expense.
- And outstanding balance of SBA Disaster loans taken out after January 31, 2020
- \$10 million maximum



Paycheck Protection Program

Amount of forgiveness:

- Amounts incurred and payments made during the eight week period beginning on loan origination date
 - Payroll costs (same parameters used in determining loan amount)
 - Interest payments on mortgages in place before 2/15/2020
 - Rent on a lease arrangement in place before 2/15/2020
 - Utility payments
- Reduced in proportion to any reduction in number of full time equivalent employees.
- Reduced by amount of any employee wage reduction in excess of 25%

Economic Injury Disaster Loans (EIDL)

- Funds to keep the door open
- Small businesses with fewer than 500 employees
- Most private not-for-profits, sole proprietors, independent contractors, COOPS, and employee owned businesses (ESOPs)
- Maximum loan \$2 million
 - Determined by SBA in loan process
- Can be refinanced into Paycheck Protection loan but not used for same purpose
- 30 year term with interest at 3.75%



Emergency Economic Injury Grants

- \$10,000 grant (no repayment required)
- Request when applying for EIDL
- Will be funded within three days of request
- Self-certification application



Small Business Debt Relief Program

- Provide cashflow
- Eligibility:
 - All existing SBA 7(a), 504, and Microloans and new loans within six months of CARES Act enactment
 - Does not apply to PPP or Disaster loans
- SBA will pay all principal & interest and fees for six months
- SBA will encourage lenders to defer loan payments for one year



Federal Reserve Loan Program

- \$454 billion fund
- For loans, loan guarantees and investments by Federal Reserve
- Lending to eligible businesses, states and municipalities
- Focused on businesses and not-for-profits with 500-10,000 employees
- Not in place yet



Kansas Department of Commerce program

- For businesses located in one of 35 cities or counties designated by KDOC – Community Development Block Grants
- Total of \$6.3 million available
- Funds vary by community and may be loan or grant
- Use funds for cashflow to save low-to-moderate income jobs
- County or city will make funding decisions

<https://www.kansascommerce.gov/covid-19-response/community-development-block-grants/>



Other relief provisions

- Enhanced Unemployment Insurance
- Kansas Shared Work Plan
- Payroll tax credits
- Payroll tax payment deferral
- Tax credits – Paid Sick, Paid Family & Medical Leave
- Business tax relief provisions



Enhanced Unemployment Insurance

- Additional \$600 per week, up to four months
- No waiting period for states that make recipients eligible immediately
 - Kansas opted in with executive order on 3/31/20
- Administered by states



Kansas Shared Work Plan

- Layoff alternative
 - Employees receive reduced UI while working reduced schedule
- Must apply to at least 10 percent of workforce
- Reduced normal weekly hours between 20 and 40 percent
- Application at <https://www.dol.kd.gov/employers/shared-work-program>
- Caution: may impact amount of Paycheck Protection Program loan forgiven



Payroll tax credits

Employee Retention Credit

- For employers subject to closure or economic hardship
 - Operations fully or partially suspended, or
 - Greater than 50% reduction in quarterly receipts
- Wages of employees furloughed or reduced hours
- All wages qualify for employers with 100 or fewer employees
- Includes health insurance
- Tax credit for 50% of first \$10,000 in eligible wages per employee
- Excludes wages qualifying for required sick leave or family leave payroll credits
- Not available if participating in Paycheck Protection Program



Payroll tax payment deferral

Delay of payment of employer payroll taxes

- Defer paying employer portion through end of 2020
 - Employer portion of FICA taxes
 - Employer and employee portion of Railroad Retirement taxes
 - Half of the SECA tax
- Deferred amounts due in two installments
 - First half due December 31, 2021
 - Second half due December 31, 2022
- Not available if participating in Paycheck Protection Program



Tax Credits – Paid Sick, Paid Family & Medical Leave

- Quarterly payroll tax credits for 100% of required paid sick leave and paid family leave
- Maximum \$200 per day (\$511 in case of sick time paid as described in paragraph (1), (2) or (3) of section 5102(a))
- Maximum \$200 per day for which an employee is paid qualified family leave wages (\$10,000 in aggregate)
- Aggregate number of days is 10 for each calendar quarter or all preceding quarters
- If amount of credit exceeds the tax imposed, the excess will be treated as an overpayment and refunded



Business tax relief provisions

- Charitable contribution limit for C corporations increased to 25% from 10%
- Net operating losses
 - Suspended 80% taxable income limit for tax years beginning in 2018, 2019 and 2020
 - NOLs arising in 2018, 2019 and 2020 can be carried back five years
- Excess business loss limitations suspended for tax years beginning in 2018, 2019 and 2020
- Business interest expense limitation increased to 50% from 30% of adjusted taxable income for 2019 and 2020.
 - Special tax year 2019 rule for partnerships effectively moving benefit of the increased limit to 2020 tax year.



Recommendations

What should you utilize?

- PPP
 - Forgivable
 - Low interest

What if you can't get a PPP loan?

- EIDL
 - \$10K advance grant
 - 30 year amortization
 - Payment deferral available
- Employee Retention Credits

Considering layoffs?

- Look into Kansas Shared Work Program



Q & A session

COVID19

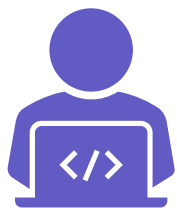
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COVID-19 resources for employers

Organizations are facing a myriad of decisions and challenges with the rapidly changing landscape on COVID-19.

AGHLC.com/COVID19

Thank you for attending



A recording of today's webinar will be emailed for your reference or to share with others.



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Questions?

SHAWN SULLIVAN

Executive Vice President,
Tax Services

 Shawn.Sullivan@aghlc.com


 316.291.4110


 [linkedin.com/in/dshawnsullivan](https://www.linkedin.com/in/dshawnsullivan)

TODD RICHARDSON

Vice President,
Corporate Finance Services


 Todd.Richardson@aghlc.com


 316.291.4041

 [linkedin.com/in/todd-richardson-20b0134b](https://www.linkedin.com/in/todd-richardson-20b0134b)

JOHN TROWBRIDGE

Senior Vice President,
Business Development

 John.Trowbridge@aghlc.com

 316.291.4068

 [linkedin.com/in/johntrowbridge](https://www.linkedin.com/in/johntrowbridge)

Questions **not** related to today's content: mike.ditch@aghlc.com