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CARES Act – Questions and Answers

On Friday afternoon March 27, several hundred clients and friends of Oswald accessed our webinar entitled: *CARES Act Phase Three Stimulus Package Discussion: Exclusive with Congressman Anthony Gonzalez*. This document supplies the promised answers to questions submitted during the presentation. The answers to some questions cannot be provided at this time. The Small Business Administration (SBA) will be issuing regulations as to how this law will be implemented.

We received over 100 questions, many of them dealing with a section of the CARES Act referred to as the Paycheck Protection Program (PPP). The government provided additional details regarding this provision answering many of the questions raised during the webinar. Additionally, the government supplied the attached documents providing guidance for small businesses to access this program.

Paycheck Protection Program

SBA Qualification – Not-For-Profits

- 501(c)(3) entities with no more than 500 employees do qualify for Paycheck Protection Loans (PPLs); these entities include churches
- Not-for-profits with no employees will not qualify for PPLs; the amount of the loan is a function the amount of an employer’s average monthly wages paid in 2019
- SBA economic injury disaster loans (EIDLs) made under the SBA’s Disaster Loan Program on or after January 31, 2020 may be refinanced as PPLs
- Loan amounts generally are 250% of average monthly “payroll costs” incurred during 2019 plus any outstanding EIDL amounts to be refinanced, up to \$10 million.

SBA Qualification – For-Profits

- The 500-employee limit is determined as of the date of the application for the PPL
- A company’s annual revenue is not a factor in eligibility for a PPL
- There is no minimum-number-of-employee size requirement
- Partners in a partnership are considered employees (subject to the \$100,000) when calculating eligible wages
- Wages for all full-time and part-time employees should be included as part of payroll costs; there is no minimum number of hours requirement
- Employees voluntarily leaving during the 8 weeks after receipt of the PPL will reduce the loan forgiveness amount calculation unless they are replaced
- PPLs are in addition to any loans a company can obtain from other means

Recovery Rebates for Individuals

- Individuals will receive rebates for \$1,200 per adult and \$500 per child. The amounts are phased out for individuals making more than \$75,000 and joint filers making more than \$150,000. The reduction for those individuals is 5% of the taxpayer's adjusted gross income (but not below zero).
- Income will be based the latest Form 1040 filed for each person
- The rebate is not taxable and does not have to be re-paid

Federal Pandemic Unemployment Compensation

- In addition to state unemployment benefits, an extra \$600 will be added to every unemployment check for the next four months and the Act expands unemployment benefits for independent contractors, the self-employed, employees of nonprofits and governmental employers

Next Steps

Small businesses are strongly encouraged to file the PPL's as soon as possible. We suggest seeking help from your tax advisors and lending institutions. Small businesses and sole proprietorships can begin filing on April 3, 2020. Independent contractors and self-employed individuals can begin filing on April 10, 2020. Congress has authorized up to \$349 billion in forgivable loans for the PPP. There are 30.7 million small businesses in the United States according to the SBA's and it's expected most will apply for PPLs. As noted above, the SBA will be issuing regulations concerning the PPP. While the SBA has until April 2022 issue regulations, we expect regulations will be issued much sooner.

The information supplied above is current as of today. The guidance from the government has changed several times since it was originally issued. Again, seek help from your tax advisors and lending institutions.

Disclaimer: Materials are solely for informational purposes as an educational resource. Please contact counsel to obtain advice with respect to any specific issue.