



BROADFIELD
GROUP

CARES Act and Your Business

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To Our Clients



To Our Clients,

We are in an unprecedented time in the history of the world. COVID-19 has dramatically altered life's norms and threatened our physical, emotional, and economic well being. Here at PCF Insurance, we are sensing the impact COVID-19 is having on our customers, families, and friends. While these are difficult times, we are confident that all of us will reach the other side of this pandemic stronger – and as always, we've got you covered.

Congress has passed the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. This bill will provide access to immediate relief to individuals and businesses. We have reviewed the CARES Act and want to share with you the most applicable potential benefits.

We are here to help!

Your friends at Broadfield Insurance, a member of pcf insurance services



CARES Act Topics Covered



Term	Brief Summary	Page Numbers for Detail Overview
A Loans Under the “Paycheck Protection Program” <i>CARES Act Section 1102</i>	<ul style="list-style-type: none"> Provides loans up to \$10 million for businesses or sole-proprietors through approved Small Business Administration (“SBA”) lenders; proceeds can be used to cover numerous costs that are now difficult to pay If certain criteria are met, could be 100% forgivable (becomes a grant and not a loan). 	5
B Employer Payroll Tax Delay <i>CARES Act Section 2302; Tax Code Sections 3111(a) and 1401(a)</i>	<ul style="list-style-type: none"> Employers (and self-employed individuals) to defer paying their portion of the social security payroll tax (6.2 percent) otherwise due in 2020. 	6
C Employee Retention Payroll Tax Credit <i>CARES Act Section 2301; Tax Code Section 3111</i>	<ul style="list-style-type: none"> Employers may receive a payroll tax credit of as much as \$5,000 per employee for wages (and health benefits) paid after March 12, 2020, and before January 1, 2021. 	7
D Increased Interest Expense Deduction Limitation <i>CARES Act Section 2306; Tax Code Section 163(j)</i>	<ul style="list-style-type: none"> In 2019 and 2020, corporations can deduct more of their borrowing costs (up to 50 percent of their earnings, instead of only 30 percent of their earnings). 	8
E Technical Correction to Fix ‘Retail Glitch’ <i>CARES Act Section 2307; Tax Code Section 168</i>	<ul style="list-style-type: none"> Businesses can fully deduct the cost of certain property improvements back to 2018. 	9
F Net Operating Loss (NOL) Rule Relaxation <i>CARES Act Section 2303; Tax Code Section 172</i>	<ul style="list-style-type: none"> Losses arising in 2018, 2019 and 2020 can be carried back to the five preceding years. Losses can fully offset taxable income—80 percent limitation temporarily removed. 	10

Loans under the “Paycheck Protection Program”

How do I qualify?

You are eligible and can apply for a loan if you are:

- A business with fewer than 500 employees
- A 501(c)(3) with fewer than 500 employees
- An individual who operates as a sole proprietor
- An individual who operates as an independent contractor
- An individual who is self-employed who regularly carries on any trade or business
- The applicant does not have any other application pending under this program for the same purpose; and
- From February 15, 2020 until December 31, 2020, the applicant has not received duplicative amounts under this program.

What does it provide and cover?

Provides up to \$10 million and funds will be used to continue operations during the COVID-19 emergency. Funds are to be used to retain workers and maintain payroll/benefits, or make mortgage, lease, and utility payments. The amount you could qualify for will be the lesser of:

- 2.5 times the average total monthly payroll costs incurred in the one-year period before the loan is made PLUS the outstanding amount of a loan made under the SBA’s Disaster Loan Program between January 31, 2020 and the date on which such loan may be refinanced as part of this new program;
- OR \$10 million

What else should I know?

The loans qualify for complete loan forgiveness (they will not have to be paid back) in the amount equal to the costs incurred and payments made during the covered period:

- Payroll costs; Interest payments on mortgages; Rent; and Utility payments.

Forgiveness amounts will be reduced for any employee cuts or reductions in wages.

The normal SBA loan application lenders and application is how you apply; we recommend applying as soon as possible.

Additional Resources

SBA lenders can be found here:

- <https://www.sba.gov/funding-programs/loans/lender-match>

The loan form can be found here (although you can complete it online with a SBA lender):

- https://www.sba.gov/sites/default/files/files/serv_da_all_loanap_p_2_0_0_3.pdf

Employer Payroll Tax Delay

How do I qualify?

Employers who received Small Business Act loans that were forgiven under the CARES Act (so that the Federal government effectively gave them cash—that they did not have to pay back) are not eligible for this payroll tax deferral.

What does it provide and cover?

Employers ordinarily have to pay certain employment taxes—known as Federal Insurance Contributions Act (FICA) taxes—with respect to their employees. The employer is responsible for paying its share (6.2 percent) of social security taxes and its share (1.45 percent) of Medicare taxes for each employee's covered wages.

The CARES Act postpones the due date for depositing employer payroll taxes. The deferred amounts would be payable over the next two years – half due December 31, 2021, and half due December 31, 2022.

What else should I know?

50% of self-employment taxes related to Social Security and Railroad Retirement and attributable to wages paid during 2020 can be postponed to 2021 and 2022 in the same fashion.

If you qualify for an emergency SBA loan you can't use this delayed tax

Additional Resources

To come if any are found.

Employee Retention Payroll Tax Credit



How do I qualify?

Eligible employers must have carried on a trade or business during 2020 and *satisfy one of two tests*:

- Have business operations fully or partially suspended operations due to orders from a governmental entity limiting commerce, travel, or group meetings; or
- Experience a year-over-year (comparing calendar quarters) reduction in gross receipts of at least 50% – until gross receipts exceed 80% year-over-year.

What does it provide and cover?

A refundable credit against payroll tax (Social Security and Railroad Retirement) liability equal to 50% of the first \$10,000 in wages per employee (including value of health plan benefits) for employees who are employed by the company but are unable to perform their duties due to COVID-19.

What else should I know?

For employers with more than 100 full-time employees, only employees who are currently not providing services for the employer due to COVID-19 causes are eligible for the credit.

For those with 100 or fewer full-time employees, essentially all wages qualify for the credit, but such wages cannot be more than \$10,000 per employee.

The employee retention credit is effective for wages paid after March 12, 2020, and before January 1, 2021.

Additional Resources

To come if any are found.

D

Increased Interest Expense Deduction Limitation



How do I qualify?

Any corporation that is currently paying interest.

What does it provide and cover?

The CARES Act will increase the limit to 50 percent of the company's adjusted taxable income just for 2019 and 2020.

It will also allow corporations to elect to use their 2019 adjusted taxable income for 2020, ensuring that even though their earnings may be harmed by the COVID-19 outbreak, their otherwise increased business interest deduction will not be.

What else should I know?

To come if any are found.

Additional Resources

To come if any are found.

Technical Correction to Fix 'Retail Glitch'

How do I qualify?

Have made improvements to the interior of a non-residential building.

When Congress enacted TCJA at the end of 2017, it wanted to expand the availability of expensing. Unfortunately, due to a drafting errors, improvements to the interior of a non-residential building were not eligible. The CARES act corrects this.

What does it provide and cover?

Costs associated with improvements to the interior of a non-residential building can be 100% expensed and can be retroactively expensed for any property placed in service since the beginning of 2018.

What else should I know?

To come if any are found.

Additional Resources

To come if any are found.

Net Operating Loss (NOL) Rule Relaxation

How do I qualify?

Business had losses in 2018, 2019, or 2020.

What does it provide and cover?

Losses arising in 2018, 2019 and 2020 can be carried back to the *five preceding years*, rather than the two year limit previously in place prior to the CARES Act.

Losses can fully offset taxable income - 80 percent limitation temporarily removed.

What else should I know?

To come if any are found.

Additional Resources

To come if any are found.