The CARES Act is officially law.

If your business needs funding, this Act is the opportunity. A lot to digest, but there are items that you will want to be familiar with.

Please reach out to your Glenn Burdette CPA if you need anything.
Federal Stimulus Package - CARES Act

- The CARES Act was signed into law by the President today.
- It has 4 main sections:
  - Title I - Keeping American Workers Paid and Employed Act
  - Title II - Assistance for American Workers, Families and Businesses
  - Title III - Supporting America's Health Care System
  - Title IV - Economic Stabilization and Assistance to Severely Distressed Sectors of the US Economy.
- I'm focusing on Title I right now as most business owners will want to jump on this part.
- Here are the highlights of Title I - Keeping American Workers Paid and Employed Act
  - **Paycheck Protection Program**
    - $349B earmarked for loans to businesses in need (less than 500 employees).
    - Max loan is lessor of average payroll over last year x 2.5, or $10M.
    - Can only be used to pay payroll (including health care), mortgage interest, rent, utilities, and interest on debt obligations incurred before the covered period.
  - **Eligibility**
    - Business was in operation as of 2/15/20.
    - Had paid employees or independent contractors.
    - Has no other loan application pending with SBA.
  - **Other info**
    - No personal guarantee required, 10 year max term, 4% max rate.
    - Can have payment deferrals for the first 6-12 months.
    - No prepayment penalty.
    - Banks get some regulatory rules relaxed and earn fees for making loans.
  - **Comes with potential Loan Forgiveness**
    - Basically, if you don't lay anyone off or reduce anyone's pay, the loan will be forgiven.
    - Even if you do lay off people or reduce pay, if you rehire and eliminate pay reductions by June 30, 2020, the loan will be forgiven.
    - If you do not rehire or eliminate the pay reductions, the loan forgiveness amount is reduced by a proportion of the number of employees before vs. after the layoffs.
    - I am generalizing a bit here and there are more details involved, but these are the basics.
Federal Stimulus Package - CARES Act (continued)

- **Emergency EIDL Loans**
  - These are emergency disaster loans through the SBA.
  - No personal guarantees if less than $200K.
    - Approvals relaxed
      - May be based solely on credit score.
      - No tax return required.
      - "Alternate Methods" may be used to determine ability to repay (a.k.a. bring your banker baked goods and a good bottle of wine or whiskey).
    - Can get an advance within 3 days of application filing.
      - Applicant not required to repay any advance amounts, even if subsequently denied.
      - Uses include payroll, sick leave, supply chain interruption costs, rent, mortgage, repaying obligations that cannot be met due to revenue losses.
      - Advance amounts are not eligible for forgiveness.

- **State Trade Expansion Program**
  - A small but potentially important section.
  - Allows for reimbursement of financial losses related to a foreign trade mission or trade show exhibition that was cancelled solely due to COVID-19.

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Here is a link related to the SBA EIDL Loans:
https://disasterloan.sba.gov/apply-for-disaster-loan/index.html
Federal Stimulus Package - CARES Act (continued)

- Title II - Assistance for American Workers, Families and Businesses
  - Unemployment Insurance Provisions
    - Increases unemployment compensation benefits.
    - Funds the first week of unemployment with no waiting.
    - Funds States to upgrade staff, systems, technology (this is a big problem today with State Unemployment)
    - Grants for short-time compensation programs
  - Rebates
    - Final regs are consistent with what was stated in yesterday's newsletter.
    - $1,200/individual, $2,400/married, $500/child. AGI of $75K/individual (phased-out at $99K), $150K/married (phased-out at $198K).
  - Business Provisions
    - Can get a credit against payroll taxes each quarter of an amount equal to 50% of qualified wages of each employee for that quarter.
      - Wages per employee max out at $10K for purposes of this credit (across all quarters, i.e. not $10K/employee/quarter).
    - Must have experienced a "significant" decline in gross receipts.
      - Period of measurement for "significant decline in gross receipts" begins in the quarter where gross receipts are less than 50% of gross receipts for the same quarter in prior year, and ends in the quarter after that where gross receipts are greater than 80% of gross receipts in the same quarter in prior year.
      - Translated: If your revenue goes down, the more folks you keep employed equates to a larger credit.
    - Payroll taxes can be deferred with 50% of them due by 12/31/2021 and the rest due 12/31/2022.
  - Tax Changes:
    - Relief related to Net Operating Losses, limits on business interest paid, AMT, and charitable deductions.
Federal Stimulus Package - CARES Act (continued)

- Title III mainly addresses support for the health care system (supplies, devices, workforce, drugs, you name it)
- Title IV is mainly geared at distressed companies, air and cargo carriers mainly.
- There is too much in this bill to include it all, but will clarify key points in future newsletters.

IRS Section 139

- Glenn Burdette Tax Principal Mical Bovee shared this important item today, and related link.
  - Section 139 of the IRS Code allows for an employer to make "qualified disaster relief payments" to employees.
  - The payments are tax-free to the employees but fully deductible to the employer.
  - This is an *existing provision* in the Code, not new. It was enacted in 2002 after the 9/11 events.
  - This section applies to any federally declared disaster, which we are under.
  - See the Forbes article for further information and contact your CPA if you want to explore further.

**Helpful Links**

**CDC Website:**
- [Coronavirus Disease 2019 (COVID-19)](https://www.cdc.gov/nCoV)

**State of CA Governor Website**
- [Directs Californians to follow public health directives including canceling large gatherings more than 250 people Order removes waiting period for...](https://www.ca.gov/newsroom/2020/03/Governor-Newsom-Issues-New-Executive-Order-Further-Enhancing-State-and-Local...)
- [Directs Californians to follow public health directives including canceling large gatherings more than 250 people Order removes waiting period for...](https://www.ca.gov/newsroom/2020/03/Governor-Newsom-Issues-New-Executive-Order-Further-Enhancing-State-and-Local...)
- [Directs Californians to follow public health directives including canceling large gatherings more than 250 people Order removes waiting period for...](https://www.ca.gov/newsroom/2020/03/Governor-Newsom-Issues-New-Executive-Order-Further-Enhancing-State-and-Local...)

**IRS Coronavirus Website:**

**SBA Loan Assistance:**
- [https://disasterloan.sba.gov/ela](https://disasterloan.sba.gov/ela)

**Multi-State Filing Resource from the AICPA:**
- [https://www.aicpa.org/search.html?source=AICPA&q=state+filing+relief](https://www.aicpa.org/search.html?source=AICPA&q=state+filing+relief)

**EDD Corona Virus Updates:**
- [https://www.edd.ca.gov/about_edd/coronavirus-2019.htm](https://www.edd.ca.gov/about_edd/coronavirus-2019.htm)

**EDD Unemployment Claim Info:**
- [https://edd.ca.gov/Unemployment/Filing_a_Claim.htm](https://edd.ca.gov/Unemployment/Filing_a_Claim.htm)

**CDTFA (Sales Tax) Services:**
- [https://www.cdtfa.ca.gov/services/covid19.htm](https://www.cdtfa.ca.gov/services/covid19.htm)

**State of California Business and Economic Development Website**

**Department of Labor Information:**
- [https://www.dol.gov/agencies/whd/pandemic/ffcra-questions](https://www.dol.gov/agencies/whd/pandemic/ffcra-questions)
### Summary of Current State COVID-19 Guidance

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* No official guidance to extend date but assumed based on current legislature
**Prior Day Updates 3/23/20**

**IRS**
- Here are two examples of how the payroll tax credit would work, per the IRS.
  - If an eligible employer paid $5,000 in sick leave and is otherwise required to deposit $8,000 in payroll taxes, including taxes withheld from all its employees, the employer could use up to $5,000 of the $8,000 of taxes it was going to deposit for making qualified leave payments. The employer would only be required under the law to deposit the remaining $3,000 on its next regular deposit date.
  - If an eligible employer paid $10,000 in sick leave and was required to deposit $8,000 in taxes, the employer could use the entire $8,000 of taxes in order to make qualified leave payments and file a request for an accelerated credit for the remaining $2,000.

**SBA Loans**
- SBA Loans are available to businesses in need.
- See the charts on the next two pages for more details.

**California Benefits Available**
- The following link has a very good chart that explains all the benefit options available for the State of California.
  - https://www.labor.ca.gov/coronavirus2019/#chart

**SLO County Property Taxes**
- Property taxes are still due by April 10, 2020.
- However, the SLO County Tax Collector's Office has stated on their website that they intend to "fully apply their authority to waive penalty and interest pursuant to California Revenue and Taxation Code section 4985.2 for any late payment determined to be due to reasonable cause or circumstances related to COVID-19".
- Claims for waivers of penalty and interest will be evaluated on a case-by-case basis.
- See website below for further details.
About Disaster Loans

The U.S. Small Business Administration (SBA) provides low-interest, long-term disaster loans to businesses of all sizes, private non-profit organizations, homeowners, and renters to repair or replace uninsured/underinsured disaster damaged property. SBA disaster loans offer an affordable way for individuals and businesses to recover from declared disasters.

- Apply: 1) online; 2) in-person at a disaster center; or 3) by mail.
- Apply online at the SBA's secure website disasterloan.sba.gov/ela.
- As a business of any size, you may borrow up to $2 million for physical damage.
- As a small business, small agricultural cooperative, small business engaged in aquaculture, or private non-profit organization you may borrow up to $2 million for Economic Injury.
- As a small business, you may apply for a maximum business loan (physical and EIDL) of $2 million.
- As a homeowner you may borrow up to $200,000 to repair/replace your disaster damaged primary residence.
- As a homeowner or renter, you may borrow up to $40,000 to repair/replace damaged personal property.

- SBA reviews your credit before conducting an inspection to verify your losses.
- An SBA verifier will estimate the total physical loss to your disaster damaged property.
- A loan officer will determine your eligibility during processing, after reviewing any insurance or other recoveries. SBA can make a loan while your insurance recovery is pending.
- A loan officer works with you to provide all the necessary information needed to reach a loan determination. Our goal is to arrive at a decision on your application within 2 - 3 weeks.
- A loan officer will contact you to discuss the loan recommendation and your next steps. You will also be advised in writing of all loan decisions.

- SBA will prepare and send your Loan Closing Documents to you for your signature.
- Once we receive your signed Loan Closing Documents, an initial disbursement will be made to you within 5 days:
  - Physical damage:
    - $25,000
  - Economic injury (working capital):
    - $25,000 (in addition to the Physical damage disbursement)
- A case manager will be assigned to work with you to help you meet all loan conditions. They will also schedule subsequent disbursements until you receive the full loan amount.
- Your loan may be adjusted after closing due to your changing circumstances, such as increasing the loan for unexpected repair costs or reducing the loan.

For more information or to find a local center, contact SBA’s Customer Service Center at 1.800.659.2968 (TTY: 1.800.877.8339).

sba.gov/disaster
SBA Loan Information continued

Required Documentation

The following documents are required to process your application and reach a loan decision. Your Loan Officer and Case Manager will assist you to ensure that you submit the proper documentation. Approval decision and disbursement of loan funds is dependent on receipt of your documentation.

### BUSINESSES
- Business Loan Application (SBA Form 5) completed and signed by business applicant.
- IRS Form 4506-T completed and signed by Applicant business, each principal owning 20% or more of the applicant business, each general partner or managing member and, for any owner who has more than a 50% ownership in an affiliate business. (Affiliates include business parent, subsidiaries, and/or businesses with common ownership or management).
- Complete copies, including all schedules, of the most recent Federal income tax returns for the applicant business; an explanation if not available.
- Personal Financial Statement (SBA Form 413) completed, signed and dated by the applicant (if a sole proprietorship), each principal owning 20% or more of the applicant business, each general partner or managing member.
- Schedule of Liabilities listing all fixed debts (SBA Form 2202 may be used).

### HOMEOWNERS AND RENTERS
- Home Loan Application (SBA Form 5c) completed and signed by Applicant and Co-Applicant.
- IRS Form 4506-T completed and signed by Applicant and Co-Applicant.

**ADDITIOANL INFORMATION THAT MAY BE NECESSARY TO PROCESS YOUR APPLICATION:**
- Complete copies, including all schedules, of the most recent Federal income tax returns for each principal owning 20% or more of the applicant business, each general partner or managing member, and each affiliate when any owner has more than a 50% ownership in the affiliate business. Affiliates include, but are not limited to, business parents, subsidiaries, and/or other businesses with common ownership or management.
- If the most recent Federal income tax return has not been filed, a year-end profit and loss statement and balance sheet for that tax year is acceptable.
- A current year-to-date profit and loss statement.
- Additional Filing Requirements (SBA Form 1368) providing monthly sales figures.

**APPLY FOR ASSISTANCE AT**
[disasterloan.sba.gov/ela](https://disasterloan.sba.gov/ela)

**Or Call**
1-800-659-2955 (SBA Customer Service Center)
1-800-877-8339 (TTY: Deaf and Hard-of-Hearing)