

# COVID – 19 Business Resource Guide

NAVIGATING THE CARES ACT TO SUPPORT YOUR BUSINESS  
GUILLERMO BIRMINGHAM, CPA/CGMA

*The Business Resource Guide*  
*The Coronavirus Aid, Relief, and Economic Security (CARES) Act*

## **Overview**

The Coronavirus Aid, Relief, and Economic Security (CARES) Act provides relief for small businesses that have trouble covering payroll and operating expenses because of the COVID-19 pandemic. The new law creates a Small Business Administration (SBA) loan program, called the “Paycheck Protection Program” (PPP), that expands benefits and eligibility for SBA disaster loans, covers payments on existing SBA loans, and creates new tax credits to help cover the cost of paid leave and payroll.

## **SBA Paycheck Protection Program**

The Paycheck Protection Program provides small businesses with zero-fee loans of up to \$10 million to cover payroll and other operating expenses. Up to 8 weeks of payroll, mortgage interest, rent, and utility costs can be forgiven. Payments on principal and interest are deferred for one year.

## **SBA Economic Injury Disaster Loans**

The CARES Act creates a new emergency grant of \$10,000 for small businesses that apply for an SBA economic injury disaster loan (EIDL). EIDLs are loans up to \$2 million with interest rates of 3.75% for businesses and 2.75% for nonprofits, and principal and interest payments deferred up to 4 years. The EIDL loans may be used to pay for expenses that could have been met had the disaster not happened, including payroll and other operating expenses. The EIDL grant does not need to be repaid even if the applicant is denied an EIDL. A small business may apply for an EIDL grant and a Paycheck Protection loan. The EIDL grant will be subtracted from the amount of the Paycheck Protection loan that is forgivable.

## **Debt Relief for New and Existing SBA Borrowers**

For small businesses that already have an SBA loan (such as a 7(a), 504, or microloan) or take one out within 6 months after the CARES Act is enacted, the SBA will pay all loan costs for borrowers, including principal, interest, and fees, for six-months. SBA borrowers may also seek an extension of the duration of their loan and delay certain reporting requirements. More information on this program is [available here](#).

## **Relief for Small Business Government Contractors**

If you are a government contractor, there are a number of ways that Congress has provided relief and protection for your business. Agencies will be able to modify terms and conditions of a contract and to reimburse contractors at a billing rate of up to 40 hours per week of any paid leave, including sick leave. The contractors eligible are those whose employees or subcontractors cannot perform work on site and cannot

*The Business Resource Guide*  
*The Coronavirus Aid, Relief, and Economic Security (CARES) Act*

telework due to federal facilities closing because of COVID-19. If you need additional assistance, please reach out to your [local Small Business Development Center](#), [Women's Business Center](#), [SCORE chapter](#), or [SBA District Office](#). You should also work with your agency's contracting officer, as well as the agency's Office of Small and Disadvantaged Business Utilization (OSDBU).

### **Employee Retention Tax Credit**

The CARES Act creates a refundable payroll tax credit for businesses, large and small, that retain their employees during the COVID-19 crisis. Employers are eligible if they have been fully or partially suspended as a result of a government order, or they experience a 50% reduction in quarterly receipts as a result of the crisis. For employers with 100 or fewer full-time employees, they may claim a credit for wages paid to all of their employees, up to \$10,000 a person. For employers with more than 100 employees, they may claim a credit for those employees who are furloughed or face reduced hours as a result of the employer's closure or economic hardship. The Department of the Treasury is authorized to advance payment of the employee retention tax credit. This tax credit is not available if the employer takes an SBA paycheck protection loan.

### **Payroll Tax Delay**

The CARES Act allows employers to delay paying the employer-portion of payroll taxes through the end of 2020. The deferred amount is due in two installments - 50% is due before December 31, 2021, and the other 50% is due before December 31, 2022. Deferral is not available if the employer takes an SBA paycheck protection loan.

### **Advance Payment of Tax Credits for Paid Leave**

The CARES Act allows the Treasury to send advance payments of tax credits available to employers that are required to provide up to 12 weeks of coronavirus-related paid leave to their employees.

### **Business Tax Relief**

The CARES Act provides other forms of tax relief for businesses, including loosening requirements for net operating losses, and limitations on business interest deductions. The CARES Act also permanently fixes the qualified improvement property (QIP) error in the 2017 tax law, so that QIP investments are entitled to 100% recovery over 15 years. Distillers are exempt from excise taxes on undenatured alcohol for the purpose of producing hand sanitizer.

*The Business Resource Guide*  
*The Coronavirus Aid, Relief, and Economic Security (CARES) Act*

### **Delay for Single Employer Pension Plans**

Single employer pension plans are allowed to delay quarterly contributions for 2020 until the end of the year. Employers may also use 2019 funded status for the purposes of determining funding-based limits on plan benefits for the plan years that include 2020.

### **More Information**

For more information about SBA loan programs, please visit the Small Business Administration [website](#). More information about small business programs in the CARES Act and other resources for small businesses can be found on the U.S. Senate Committee on Small Business and Entrepreneurship [website](#).

If you need additional assistance, please reach out to your local [Small Business Development Center](#), [Women's Business Center](#), [SCORE chapter](#), or [SBA District Office](#).

For more information about tax issues, please check the IRS's website at [www.irs.gov/coronavirus](http://www.irs.gov/coronavirus).

## **SBA Paycheck Protection Loan Program**

### **Overview**

The Coronavirus Aid, Relief, and Economic Security (CARES) Act creates a new Small Business Administration (SBA) loan program, called the “Paycheck Protection Program” (PPP). The Paycheck Protection Program provides small businesses with zero-fee loans of up to \$10 million to cover payroll and other operating expenses. Up to 8 weeks of payroll, mortgage interest, rent, and utility costs can be forgiven. Payments on principal and interest are deferred for six months and up to one year. Small businesses will be able to apply if they were harmed by COVID-19 between February 15, 2020, and June 30, 2020. This program is retroactive to February 15, 2020, in order to help bring workers who may have already been laid off back onto payrolls. **Loans are available through June 30, 2020.**

### **Eligibility**

You are eligible if:

- Your business or entity was in operation on February 15, 2020;
- You are a small business, a 501(c)(3) nonprofit organization, a 501(c)(19) veterans organization, or tribal business concern that has fewer than 500 employees, or the applicable [size standard](#) in number of employees for the North American Industry Classification System (NAICS) industry as provided by SBA, if higher.
- You are a sole proprietorship, an independent contractor, or self-employed.
- You are a franchise business that employs not more than 500 employees per physical location and your business has an NAICS code beginning with 72, for which the affiliation rules are waived. Affiliation rules are also waived for any business operating as a franchise that is assigned a franchise identifier code by the SBA, and any company that receives funding through a Small Business Investment Company.

### **Loan Size:**

- Your maximum loan size is 250% of average monthly payroll costs from February 15, 2019, to June 30, 2019. If you are a seasonal employer, you can opt to choose March 1, 2019, as the time period start date.
- If you were not in business this time last year, your maximum loan is equal to 250% of your average monthly payroll costs between January 1, 2020, and February 29, 2020.
- The loan maximum in all cases is \$10 million.

Payroll costs for the purposes of determining your loan size include:

***The Business Resource Guide***  
***The Coronavirus Aid, Relief, and Economic Security (CARES) Act***

- Compensation (salary, wage, commission, or similar compensation, payment of cash tip)
- Payment for vacation, parental, family, medical, or sick leave
- Allowance for dismissal or separation
- Payment required for group health care benefits, including insurance premiums
- Payment of any retirement benefit
- Payment of State or local tax assessed on the compensation of employees

The following costs do not count towards your loan size: compensation over \$100,000, certain withheld taxes, compensation for employees outside of the United States, and required leave under the *Families First Coronavirus Response Act*, for which a credit is allowed.

**Use of Loan Funds:**

You may use the funds for:

- Payroll costs (all costs included above)
- Costs related to group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums
- Employee salaries, commissions, or similar compensations (except as excluded above)
- Payments of interest on any mortgage (but not payment or prepayment of principal)
- Rent
- Utilities
- Interest on any other debt obligations that were incurred before the February 15, 2020.

**Loan Terms:**

For any amounts not forgiven, the maximum term is 10 years, the maximum interest rate is 4 percent, zero loan fees, zero prepayment fee (SBA will establish application fees caps for lenders that charge).

*The Business Resource Guide*  
*The Coronavirus Aid, Relief, and Economic Security (CARES) Act*

### **Loan Forgiveness:**

You can apply to your lender to forgive your loan for the amount of payroll costs plus payments of mortgage interest, rent, and utilities incurred during the 8-week period after the loan is disbursed. The amount that can be forgiven is proportionate to maintaining employees and wages. You must apply through your lender for forgiveness and provide:

- Documentation verifying the number of employees on payroll, their pay rate, IRS payroll and state income tax filings, and unemployment insurance filings;
- Documentation verifying payments of rent, mortgage interest, utilities, and other debt; and
- Certification from your business that the documentation provided is true and that amount of the loan that is being forgiven was used in line with the program's requirements.

Any loan amounts not forgiven are carried forward as an ongoing loan with max terms of 10 years, at a maximum interest rate of 4 percent. Principal and interest will continue to be deferred, for a total of 6 months to a year after disbursement of the loan.

### **Can I use a Paycheck Protection Loan with other SBA loans?**

Yes, you may apply for a paycheck protection loan and other SBA loans, including the SBA economic injury disaster loans, 7(a) loans, 503 loans, and microloans. However, you may not use funds from each of these programs for the same purposes.

### **More Information**

For more information about SBA loan programs, please visit the [Small Business Administration](#). More information about the Paycheck Protection Loan Program and other resources for small businesses can be found on the U.S. Senate Committee on Small Business and Entrepreneurship [website](#).

If you need additional assistance, please reach out to your local [Small Business Development Center](#), [Women's Business Center](#), [SCORE](#) chapter, or [SBA District Office](#).

## **SBA Economic Injury Disaster Loan & Emergency Grant**

### **Overview**

The Coronavirus Aid, Relief, and Economic Security (CARES) Act temporarily expands eligibility for SBA economic injury disaster loans (EIDL) and provides an emergency advance of up to \$10,000 to small businesses and private non-profits harmed by COVID-19 within 3 days of applying for an SBA Economic Injury Disaster Loan (EIDL). To access the advance, you first apply for an EIDL and then request the advance. **The advance does not need to be repaid under any circumstance**, and may be used to keep employees on payroll, to pay for sick leave, meet increased production costs due to supply chain disruptions, or pay business obligations, including debts, rent, and mortgage payments.

### **Eligibility**

In addition to the entities that are already eligible for SBA disaster loans (small businesses, private non-profits, and small agriculture cooperatives), eligibility is temporarily expanded to include:

- Business entities with 500 or fewer employees:
- Sole proprietorships, with or without employees
- Independent contractors
- Cooperatives and employee owned businesses
- Tribal small businesses
- Private non-profits of **any** size.

Additionally, you must have been in business as of January 31, 2020. Expanded eligibility criteria and the emergency grants are only available between January 31, 2020 and December 31, 2020.

### **How to Apply**

- You can apply for an EIDL [online](#) with the SBA.
- When you apply, you can request an emergency grant of \$10,000.
- The SBA will provide the grant within 3 days of receiving your application.
- You will not have to repay the grant, even if your application for a loan is denied.



*The Business Resource Guide*  
*The Coronavirus Aid, Relief, and Economic Security (CARES) Act*

- You can visit an SBA resource partner who can help guide you through the loan application process. You can find your nearest Small Business Development Center (SBDC) or Women's Business Center [here](#).

### **Can I apply for other SBA loan programs?**

If you apply for an EIDL and the grant, you can still apply for a Paycheck Protection loan. However the amount forgiven under a Paycheck Protection loan will be decreased by the \$10,000 grant.

### **More Information**

For more information about SBA loan programs, please visit the [Small Business Administration](#). More information about small business programs in the CARES Act can be found on the U.S. Senate Committee on Small Business and Entrepreneurship [website](#).

If you need additional assistance, please reach out to your local [Small Business Development Center](#), [Women's Business Center](#), [SCORE](#) chapter, or [SBA District Office](#).

## **SBA Debt Relief Program**

### **Overview**

The Coronavirus Aid, Relief, and Economic Security (CARES) Act provides immediate relief to small businesses with SBA 7(a), 504, and microloans. For existing borrowers, SBA will cover all loan payments on these SBA loans, including principal, interest, and fees, for six months. This relief will also be available to new borrowers who take out loans within six months of the enactment of the CARES Act.

### **Eligibility**

You are eligible if:

- You have an SBA 7(a), 504, or microloan loan (Paycheck Protection loans and SBA disaster loans are not eligible—but payments are already deferred under those loans);
- You apply for and receive an SBA 7(a), 504, or microloan within six months of enactment of the CARES Act.
- To check if you are eligible for an SBA 7(a), 504, or microloan, please visit the [Small Business Administration](#) website.

### **More about SBA loans**

- An SBA 7(a) loan is a loan of up to \$5 million for borrowers who lack credit elsewhere and need access to versatile financing, providing short-term or long-term working capital and to purchase an existing business, refinance current business debt, or purchase furniture, fixtures, and supplies.
- A 504 loan is a loan up to \$5.5 million for small businesses that provides long-term, fixed-rate financing used to acquire fixed assets for expansion or modernization. You must apply through a Certified Development Company, which is a nonprofit corporation that promotes economic development.
- A microloan loan is a loan up to \$50,000 to help small businesses and certain not-for-profit childcare centers to start up and expand. The average microloan is about \$13,000. These loans are delivered through mission-based lenders that also provide business counseling.
- You can visit an SBA resource partner who can help guide you through the loan application process. You can find your nearest Small Business Development Center (SBDC) or Women's Business Center [here](#).
- You can use SBA's free [lender match](#) tool to find a lender near you.

*The Business Resource Guide*  
*The Coronavirus Aid, Relief, and Economic Security (CARES) Act*

### **How do I get debt relief?**

Debt relief is automatic, but you should check in with your lender. Under the new law, the SBA is directed to make payments within 30 days of the date on which the first payment is due.

### **More Information**

For more information about SBA loan programs, please visit the [Small Business Administration](#). More information about small business programs in the CARES Act and other resources for small businesses can be found on the U.S. Senate Committee on Small Business and Entrepreneurship [website](#).

If you need additional assistance, please reach out to your local [Small Business Development Center](#), [Women's Business Center](#), [SCORE](#) chapter, or [SBA District Office](#).

## **Payroll Tax Deferral**

### **Overview**

The Coronavirus Aid, Relief, and Economic Security (CARES) Act allows taxpayers to defer paying the employer portion of certain payroll taxes through the end of 2020, with all 2020 deferred amounts due in two equal installments, one at the end of 2021, the other at the end of 2022. Payroll taxes that can be deferred include the employer portion of FICA taxes, the employer and employee representative portion of Railroad Retirement taxes (that are attributable to the employer FICA rate), and half of SECA tax liability.

### **Eligibility**

Employers, both businesses and non-profits, are eligible to defer their payroll taxes, unless they receive a loan under the SBA Paycheck Protection Program. More information about the SBA Paycheck Protection Program is [available here](#).

### **Deadlines**

- Employers may defer payroll taxes through the end of 2020;
- The first 50 percent of the deferred amount must be paid before December 31, 2021;
- The second 50 percent of the deferred amount must be paid before December 31, 2022.

### **More Information**

For more information, please check the IRS's website at <https://www.irs.gov/coronavirus>.

## **Corporate Tax Relief**

### **Overview**

The Coronavirus Aid, Relief, and Economic Security (CARES) Act provides the following tax relief for businesses and non-profits.

### **Employee Retention Tax Credit**

The CARES Act creates a refundable payroll tax credit for businesses, large and small, that retain their employees during the COVID-19 crisis. Employers are eligible if they have been fully or partially suspended as a result of a government order, or they experience a 50 percent reduction in quarterly receipts as a result of the crisis. For employers with 100 or fewer full-time employees, they may claim a credit for wages paid to all of their employees, up to \$10,000 a person. For employers with more than 100 employees, they may claim a credit for those employees who are furloughed or face reduced hours as a result of the employer's closure or economic hardship. The Department of the Treasury is authorized to advance payment of the employee retention tax credit. This tax credit is not available if the employer takes an SBA paycheck protection loan. More information about the employee retention tax credit is [available here](#).

### **Payroll Tax Delay**

The CARES Act allows employers to delay paying the employer-portion of payroll taxes through the end of 2020. The deferred amount is due in two installments—50 percent is due before December 31, 2021, and the other 50 percent is due before December 31, 2022. Deferral is not available if the employer takes an SBA paycheck protection loan. More information about the employee retention tax credit is [available here](#).

### **Advance Payment of Tax Credits for Paid Leave**

The CARES Act allows the Treasury to send advance payments of tax credits available to employers that are required to provide up to 12 weeks of coronavirus-related paid leave to their employees.

### **Expanded Net Operating Losses**

The CARES Act expands the use of net operating losses (NOLs) by modifying restrictions put in place by the Tax Cuts and Jobs Act of 2017 (TCJA) (P.L. 115-97). The TCJA limited net operating losses (NOLs) arising after 2017 to 80 percent of taxable income and eliminated the ability to carry NOLs back to prior taxable years.

*The Business Resource Guide*  
*The Coronavirus Aid, Relief, and Economic Security (CARES) Act*

### NOL Carrybacks

The CARES Act modifies the treatment of NOL carrybacks so that in the case of taxable years beginning before 2021, taxpayers will be eligible to carry back NOLs to the prior five taxable years. Effectively, this delays the 80 percent taxable income limitation until 2021 and temporarily extends the carryback period from zero to five years. The provision also temporarily disregards NOL carrybacks for the section 965 transition tax. C corporations may elect to file for an accelerated refund to claim the carryback benefit.

### NOL Carryforwards

The CARES Act modifies the treatment of NOL carryforwards so that in the case of taxable years beginning before 2021, taxpayers will be entitled to an NOL deduction equal to 100 percent of taxable income (rather than the 80 percent limitation in present law). In the case of taxable years beginning after 2021, taxpayers will be eligible for: (1) a 100 percent deduction of NOLs arising in tax years prior to 2018, and (2) a deduction limited to 80 percent of modified taxable income for NOLs arising in tax years after 2017.

### **Modification of Limitation on Losses for Taxpayers other than Corporations**

The CARES Act retroactively turns off the excess active business loss limitation rule implemented with the TCJA by amending the provision to apply to tax years beginning after December 31, 2020 (rather than December 31, 2017). It also turns off active farming loss rules for tax years beginning after December 31, 2017, and before December 31, 2020.

An active business loss is defined as deductions in excess of income and gain attributable to a trade or business in which the taxpayer actively participates plus \$250,000 (\$500,000 for joint filers) (*i.e.* active business losses in excess of \$250,000 (\$500,000 for joint filers) were disallowed by the TCJA and treated as NOL carryforwards in the following tax year).

The CARES Act also includes technical corrections to the TCJA. The provision clarifies that excess business losses do not include any deduction under 172 or 199A or any deductions related to performing services as an employee. The provision also clarifies that, because capital losses cannot offset ordinary income under the NOL rules, capital loss deductions are not taken into account in computing the section 461(l) limitation, and that the amount of capital gain taken into account in calculating the section 461(l) limitation cannot exceed the lesser of capital gain net income from a trade or business or capital gain net income.

### **Modification of Credit for Prior Year Minimum Tax Liability of Corporations**

The TCJA repealed the corporate alternative minimum tax (AMT) and allowed corporations to claim outstanding AMT credits subject to certain limits for tax years prior

*The Business Resource Guide*  
*The Coronavirus Aid, Relief, and Economic Security (CARES) Act*

to 2021, at which time any remaining AMT credit may be claimed as fully refundable. The CARES Act allows corporations to claim 100 percent of AMT credits in 2019 as fully refundable and provides an election to accelerate claims to 2018, with eligibility for accelerated refunds.

### **Modification of Limitation on Business Interest**

The TCJA generally limited the amount of business interest allowed as a deduction to 30 percent of adjusted taxable income (ATI). This provision generally allows businesses to elect to increase the interest limitation from 30 percent of ATI to 50 percent of ATI for 2019 and 2020, and allows businesses to elect to use 2019 ATI in calculating their 2020 limitation. A special rule for partnerships allows 50 percent of any excess business interest allocated to a partner in 2019 to be deductible in 2020 and not subject to the 50 percent (formerly 30 percent) ATI limitation. The remaining 50 percent of excess business interest from 2019 is subject to the ATI limitation. The 2019 ATI limitation remains at 30 percent of partnership ATI rather than 50 percent of ATI. The ATI limitation for 2020 is 50 percent of partnership ATI and partnerships may elect to use 2019 partnership ATI in calculating their 2020 limitation.

### **Qualified Improvement Property Technical Correction**

This provision is a technical correction to the TCJA that would allow qualified improvement property such as the interior improvements of buildings to be (1) immediately expensed in the case of restaurant, retail, and most other property (classified as 15-year property), or (2) depreciated over 20 years in the case of a real property trade or business. Under the TCJA, qualified investment property was depreciated over 39 years.

### **Temporary Suspension of Alcohol Taxes on Undenatured Spirits for Hand Sanitizer**

The CARES Act exempts from excise taxes undenatured spirits that distillers are using for the emergency production of hand sanitizer. Under present law, distilled spirits are generally subject to an excise tax of between \$2.70 and \$13.50 per proof gallon upon removal from the premises of a distilled spirits plant (DSP), however, denatured spirits for non-beverage use may be removed free of tax. Denaturing requires the spirits be mixed with an unappetizing or emetic ingredient to prevent improper or accidental ingestion.

Hand sanitizer is classified as an over-the-counter drug regulated by the Food and Drug Administration (FDA) under the Federal Food, Drug, and Cosmetic Act. FDA has issued guidance on March 14, 20, and 24, on the emergency production of hand sanitizer in connection with the COVID-19 outbreak, which taken together, provides that undenatured spirits may be produced by a DSP for use in the production of hand

*The Business Resource Guide*  
*The Coronavirus Aid, Relief, and Economic Security (CARES) Act*

sanitizer, provided such spirits are later denatured before being used for hand sanitizer.

In the case that undenatured spirits are removed from a DSP and later denatured off-premises, these spirits may be subject to excise tax liability as a beverage alcohol product. This provision would exempt from tax these undenatured spirits that are removed from a DSP during 2020 and used for the production of hand sanitizer in compliance with all FDA guidance.

**More Information**

For more information, please check the IRS's website at <https://www.irs.gov/coronavirus>.