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Dear Clients,

We have received many phone calls, texts, and emails from clients about the recent Coronavirus Stimulus Package, also known as the CARES Act, recently passed by Congress. Especially in this ever-changing climate everyone wants to know how does the CARES Act help or impact me. The bill is being used to help many American’s during this pandemic. The many groups are individuals, small business, big corporations, state & local government, public health, and education. This newsletter is going to focus on individuals and small businesses because those make up the majority of our clients and hopefully help answer your questions.

**Individuals**

As many have heard, most individuals will receive an economic impact payment from the government. These stimulus checks are not taxable income and will not be reduced if you owe past taxes.

Determining how much you will receive will require you to look at your 2018 or 2019 tax return. You will look at your 2018 tax return if you have not yet filed your 2019 tax return. If you have filed your 2019 tax return, then your income from 2019 will be used in determining if and how much you will be eligible to receive. You will need to look for your Adjusted Gross Income, AGI, on your tax return. You can find your AGI on line 7 of your 2018 tax return and Line 8b on your 2019 tax return. Below is the breakdown to help determine how much you will receive:

**Individual Stimulus Payments**

Single – AGI up to $75K – Full $1,200 check

           < $99,000 – Reduced check – Check is reduced $5 for every $100 that AGI is over $75K.

Married – AGI up to $150K – Full $2,400 check

           < $198K – Reduced check – Check is reduced $5 for every $100 that AGI is over $198K.

Head of Household – AGI up to $112,500 – Full $1,200 check

           < $136,500 – Reduced check – Check is reduced $5 for every $100 that AGI is over $136,500.

Plus, $500 per child under the age of 17.

You can also go to [www.washingtonpost.com/graphics/business/coronavirus-stimulus-check-calculator/](http://www.washingtonpost.com/graphics/business/coronavirus-stimulus-check-calculator/) to calculate stimulus payment by filing in your AGI, filing status, and dependent information.

This stimulus payment is actually an advance on a new refundable tax credit for tax year 2020 that will be reported when you file your return in 2021. If your AGI is too high for the tax year you are required to use, 2018 & 2019, in order to receive am economic impact payment right now but your income will fall below the above thresholds in 2020, then you will be eligible to receive the credit when you file your tax return for 2020. Or if the check you receive is less than the authorized credit, you will get the difference when you file your 2020 return next year.

People on Social Security are eligible to receive an economic impact payment as long as income does not exceed the above limits. People who are not normally required to file a return, such as low-income taxpayers, senior citizens, Social Security recipients, etc. will need to file a simple tax return to receive an economic impact payment. The IRS intends to release more information instructing people how to file these simple returns. You can also check IRS.gov/coronavirus for updates on these instructions.

According to the IRS, the distribution of these checks will start being sent automatically in the next three weeks with no action required for most people. The IRS intends to use the bank information they have on file from your latest filed tax return. If the IRS does not have your direct deposit info, the Treasury plans to develop a web-based portal for individuals to provide bank info to the IRS to receive the payments immediately rather than a check.

**Small Businesses**

Small businesses are the backbone of America and the CARES Act have established a few programs that will assist small businesses. The Paycheck Protection Program (PPP) and Economic Injury Disaster Loans (EIDL) & Emergency Economic Injury Grants are a few options.

***Payroll Protection Program***

The Paycheck Protection Program (PPP) authorizes up to $349 billion in forgivable loans to small business to pay their employees during the COVID-19 crisis. Small businesses and sole proprietors can start applying for loans from this program on April 3rd and independent contractors and self-employed individuals can begin applying April 10th through existing Small Business Administration (SBA) lenders or through any federally insured depository institution (bank), federally insured credit union, and Farm Credit System institution that is participating. Businesses with 500 employees or less are eligible. The loan is forgivable during the “covered period” which is eight weeks (chosen by the small business owner) between February 15, 2020 and June 30, 2020.

In order to apply, you will need to fill out a PPP loan application and submit the application with required documentation to approved lender. You will need payroll documentation to provide to your lender. The program is open until June 30, 2020 and only one loan is allowed under the program. You are encouraged to apply quickly because there is a funding cap and lenders need time to process the loan.

You can use the loans for payroll costs including benefits, interest on mortgage obligations – incurred before Feb 15, 2020, rent – under lease agreements in force before Feb 15, 2020, and utilities – which services began before for Feb 15, 2020. Payroll costs include salaries, wages, commissions, or tips capped at $100,000 (annualized for each employee), employee benefits, state & local taxes assessed on compensation, and net-earnings from self-employment for sole proprietor or independent contractors capped at $100,000 annualized.

Small businesses are eligible for a loan up to two months of average payroll cost plus 25%, capped at $10 million. Payroll cost will be capped at $100,000 annualized for each employee. Your loan is eligible to be forgiven if the loan proceeds are used to cover payroll costs, and most mortgage interest, rent, and utility costs over the 8-week period “covered period” after the loan is made and your maintain normal employee and compensation levels. It is anticipated that not more than 25% of the forgiven loan amount will be for non-payroll costs. Also, the amount to be forgiven will be reduced for the following reasons:

* **Number of Staff**: Your loan forgiveness will be reduced if you decrease your full-time employee headcount.
* **Level of Payroll**: Your loan forgiveness will also be reduced if you decrease salaries and wages by more than 25% for any employee that made less than $100,000 annualized in 2019.
* **Re-Hiring**: You have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.

Request for loan forgiveness will need to be submitted to your lender. The lender will verify that the loan was used to keep employees, on eligible mortgage interest, rent, and utility payments. The loan is due in 2 years with a 0.50% fixed interest rate. There are no prepayment penalties, no collateral is required, and no personal guarantee is required.

A good faith certification that your business has been affected by Covid-19 and that the funds will be used for retaining workers, maintaining payroll, or making mortgage payments, lease payments, and utility payments is required when applying for a loan. If proceeds are used for fraudulent purposes, the US government will pursue criminal charges.

***Economic Injury Disaster Loans & Emergency Economic Injury Grants***

The SBA’s office of Disaster Assistance is providing loans and are available in all 50 states. The loans are to assist small business affected by COVID-19. These loans will offer up to $2 million in assistance to help overcome temporary loss of revenue. Loans may be used on expenses such as fixed debts, payroll, accounts payable, and other bills that can’t be paid because of the COVID-19 impact. The interest rate for these loans are 3.75% for small business and 2.75% for non-profits. The SBA is offering repayments up to a maximum of 30 years to keep repayments low, and this is determined on a case by case basis. An available grant can provide an emergency advance of up to $10,000 to small businesses and private non-profits harmed by COVID-19 within three days of applying.

You will apply for the EIDL, and then you have the ability to request an emergency advance of up to $10,000 harmed by COVID-19 and receive it within 3 days of applying. These advances do not need to be repaid under any circumstances. An EIDL loan is available from January 31, 2020 thru December 31, 2020. You may qualify for both EDIL and PPP loan. The amount of any grant provided under the EDIL will be subtracted from the amount forgiven through the PPP loan.

For questions, contact the SBA disaster assistance customer service center at 1-800-659-2955 (TTY: 1-800-877-8339) or e-mail  disastercustomerservice@sba.gov.

***IRS – Employee Retention Credit***

The Employee Retention Credit is a fully refundable tax credit for employers equal to 50 percent of qualified wages (including allocable qualified health plan expenses) that Eligible Employers pay their employees. This Employee Retention Credit applies to qualified wages paid after March 12, 2020, and before January 1, 2021. The maximum amount of qualified wages considered for each employee for all quarters is $10,000, so that the maximum credit for an Eligible Employer for qualified wages paid to any employee is $5,000.

Eligible Employers for the purposes of the Employee Retention Credit are those that carry on a trade or business during calendar year 2020, including a tax-exempt organization, that either:

* Fully or partially suspends operation during any calendar quarter in 2020 due to orders from an appropriate governmental authority limiting commerce, travel, or group meetings (for commercial, social, religious, or other purposes) due to COVID-19; or
* Experiences a significant decline in gross receipts during the calendar quarter.

**Note:**Self-employed individuals are not eligible for this credit for their self-employment services or earnings.

A significant decline in gross receipts begins with the first quarter in which an employer’s gross receipts for a quarter in 2020 are less than 50 percent of its gross receipts for the same quarter in 2019.  The significant decline in gross receipts ends when the gross receipts for a quarter are greater than 80 percent of its gross receipts for the same quarter during 2019.

The credit equals 50 percent of the qualified wages (including qualified health plan expenses) that an Eligible Employer pays in a quarter.  The maximum amount of qualified wages for each employee for all calendar quarters is $10,000, so that the maximum credit for qualified wages paid to any employee is $5,000.

**Example 1:** Eligible Employer pays $10,000 in qualified wages to Employee A in Q2 2020. The Employee Retention Credit available to the Eligible Employer for the qualified wages paid to Employee A is $5,000.

**Example 2:** Eligible Employer pays Employee B $8,000 in qualified wages in Q2 2020 and $8,000 in qualified wages in Q3 2020. The credit available to the Eligible Employer for the qualified wages paid to Employee B is equal to $4,000 in Q2 and $1,000 in Q3 due to the overall limit of $10,000 on qualified wages per employee for all calendar quarters.

**\*\***An Eligible Employer **may not** receive the Employee Retention Credit if the Eligible Employer receives a Small Business Interruption Loan under the Paycheck Protection Program that is authorized under the CARES Act (“Paycheck Protection Loan”). An Eligible Employer that receives a paycheck protection loan should not claim Employee Retention Credits.

As you can see, the CARES ACT is intended to aid the economic toll that this virus us having on our country. We know that many of you are facing hardships and want to be here to assist in any way that we can. Please feel free to contact us with any questions that you have. During this time, new information has been released every day, so if we do not know the answer to your question immediately, we will work to find out. We pray that you and your families stay healthy and that this will pass soon.

Thanks,

Sincerely,

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