

Perspectives

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CARES Act Set to Provide Billions to Individuals & Businesses Among Others

After much negotiation between the US House of Representatives, the US Senate and the White House, an agreement has been reached on a massive stimulus bill to address the financial and health care crisis resulting from the COVID-19 pandemic.

We wanted to share with you what we know as of this writing - please keep in mind that this legislation was only passed yesterday; we will continue to keep you updated as new guidance is issued.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), a \$2.2 trillion bill, includes generous and unprecedented provisions for businesses and individuals.

Key provisions for individuals and businesses

Individuals

- Recovery rebates of up to \$1,200 for singles, \$1,200 for heads of households and \$2,400 for married couples filing jointly — plus \$500 per qualifying child — subject to income-based phaseouts starting at \$75,000, \$122,500 and \$150,000, respectively
- Expansion of unemployment benefits, including for self-employed and gig-economy workers
- Waiver of the 10% penalty on COVID-19-related early distributions from IRAs, 401(k)s and certain other retirement plans
- Waiver of required minimum distribution rules for IRAs, 401(k)s and certain other retirement plans
- Expansion of charitable contribution tax deductions
- Exclusion for certain employer payments of student loans

Businesses and other employers

- Retention tax credit for eligible employers that continue to pay employee wages while their operations are fully or partially suspended as a result of certain COVID-19-related government orders
- Deferral of the employer portion of payments of certain payroll taxes
- Modification of net operating loss (NOL) and limitation on losses rules
- Modification of the deduction limitation on business interest
- Qualified improvement property technical correction, allowing qualifying interior improvements of buildings to be immediately expensed rather than depreciated over 15 years
- Expansion of the ways the Small Business Administration (SBA) can help small businesses

7(a) Loan & Loan Forgiveness Program – Business & Not for Profit Clients

Of special note to many of our clients is the 7(a) Loan program under the CARES Act – Paycheck Protection Program. The Paycheck Protection Program expands SBA support for businesses with loans of up to \$10 million. This program is administered by the SBA through its 7(a) lending program under which the SBA guarantees loans made by banks to qualifying borrowers.

Usage of loan This loan can be used for any purpose but in order for portions of the loan to be forgiven, the loan must be used for payroll costs, interest on mortgage, rent, utilities, and interest on debt service.

Loan terms unlike traditional banks Lenders will not require application fees, closing costs, collateral or personal guarantees. The maximum interest rate will be 1% for loans issued through June 30, 2020 and payments of both principal and interest will be deferred for a minimum of six months and a maximum of one year. The lenders are not expected to perform credit analysis, because the loans will be 100% guaranteed by the SBA.

Loans may be forgiven The expected loan forgiveness amount is the amount the borrower spent on payroll costs, interest on mortgage, rent, and utilities during the covered period (8-weeks after loan was received). The amount of loan forgiven will not be included in the borrower's taxable income. Any remaining loan amounts not forgiven will continue as an ongoing loan with a maximum term of 10 years and a maximum interest rate of 4%.

Documentation We do want to stress that whether you are a for profit or not for profit organization, documentation is critical in applying for loan forgiveness. This documentation may include payroll tax filings, cancelled checks, payment receipts, documents verifying mortgage or lease obligations, etc. You may also want to set up a separate checking account (similar to a payroll account) so you can show compliance with payroll-related items.

Other Loans The CARES Act DOES allow an Economic Injury Disaster Loan (EIDL) to be taken between January 31, 2020 and the date on which a Paycheck Protection loan is available - as long as the disaster loan is for reasons other than paying payroll costs. Please [click here](#) for a snapshot of the details of both the 7(a) and the EIDL loans.

Clients, please contact your Jackson Thornton advisor for additional information on this loan/loan forgiveness program and the specific documentation needed to apply.

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