



Timely Resources

*Stimulus, Tax Deferral,
Families First
Coronavirus Response
Act, and SBA Loans*

The information provided is designed to be helpful on the subjects discussed. We strongly recommend that you speak with an attorney, CPA, Financial Advisor and/or local banker to get the exact information you need for your particular circumstances.

The details were gathered through multiple sources and are not guaranteed to be true or accurate; the author and publisher disclaim any liability in connection with the use of this information.

Stimulus Overview

Key Takeaways

- Give one-time direct payments of up to \$1,200 for individuals and \$2,400 for couples, with \$500 added for every child under 17. Based on 2019 tax returns for those who filed them and 2018 information if they have not filed for last year.
- The benefit would start to phase out above \$75,000 in income for individuals and \$150,000 for couples, going away completely at the \$99,000 and \$198,000 thresholds, respectively.
- Check to make sure you have direct deposit setup with the IRS and that you haven't moved between now and when you filed your last tax return.
- The IRS has two paths for free filing options: one for those making under \$69,000 and another for those making above \$69,000. Both can be found on <https://www.irs.gov>.
- We believe at this point in time, you'll qualify based upon whether you are classified as essential / non-essential and whether your area is on lockdown or not.
- The issue is that most states do not currently offer unemployment insurance to independent contractors, but that might change. I've seen conflicting information on whether this will be occurring or not.
- The feds will provide an additional 13 weeks of benefits to help those who are still unemployed after they run out of state benefits (W2 employees). The length of state benefits varies based on location, but the maximum is 26 weeks.
- You'll apply through your state for benefits program so look that up online in your state. (Not all the guidance is out yet on this, so be patient as the Feds / States ramp this up.
- Real estate agents who have been partially or fully unemployed and are unable to work due to COVID-19 will be eligible for the expanded benefits. The exact amount is dependent on each state's individual formula, based on the weekly compensation that individuals would have made, based on the most recent tax year. The expanded unemployment insurance is directly for individuals whose

work has been disrupted by coronavirus, so states where real estate activity has essentially been halted like New York or California.

- Unemployment benefits are taxable.
- **Resources:**
 - Unemployment Benefits Finder:
 - <https://www.careeronestop.org/LocalHelp/UnemploymentBenefits/find-unemployment-benefits.aspx>

Social Security Payroll Tax Deferment

- Payroll taxes are shared by workers and their employers, so that each pays 6.2% toward Social Security and 1.45% toward Medicare.
- Employers will be able to defer the Social Security portion of these payments. They will have until the end of 2021 to pay the first half of the deferred levies. The remaining tax liability will be due by December 31, 2022.
- Talk to your payroll provider or CPA for more information.

New Retirement Account Rules

- Retirement savers who have been negatively impacted by the coronavirus crisis can now withdraw up to \$100,000 from a 401(k), IRA or similar type of retirement account until December 31, 2020 - without being charged the usual 10% early withdrawal penalty.
- Those who are diagnosed with COVID-19 by a test approved by the Centers for Disease Control and Prevention, or who have a spouse or dependent who tests positive for the coronavirus, can take emergency retirement account withdrawals. Those who experience adverse financial consequences as a result of being quarantined, furloughed, laid off, reduced work hours, or being unable to work because of a lack of child care due to the coronavirus pandemic are also eligible for the emergency withdrawals.
 - Retirement account participants can withdraw up to \$100,000 for coronavirus expenses.
 - The income tax due on a retirement account withdrawal can be paid over three years.
 - Savers have three years to put withdrawn funds back in a retirement account.
 - Retirees can delay taking required minimum distributions from retirement accounts in 2020.

- The 401(k) loan limits increase to 100% of your vested account balance up to \$100,000.
 - The 2019 IRA contribution deadline has been extended to July 15, 2020.
- However, you will need to pay income tax on withdrawals from traditional retirement accounts and will be drawing from an account that has recently lost value without giving it time to recover.
- While it may be tempting to take those penalty-free withdrawals and larger loan amounts, the same old advice applies: Find any other way to get by before you rob your retirement account. Not only will you be withdrawing funds at a greatly reduced share price, but your money could be 'out of the market' on those critical days during the market recovery.
- Talk to your payroll provider or CPA for more information.

Tax Filing Deferral Overview

- This applies to all taxpayers - meaning all individuals, trusts, estates, partnerships, associations, companies or corporations regardless of whether or how much they are affected by COVID-19:
 - For a taxpayer with a Federal income tax return or a Federal income tax payment due on April 15, 2020, the due date for filing and paying is automatically postponed to July 15, 2020, regardless of the size of the payment owed.
 - The taxpayer does not have to file Form 4868 (automatic extensions for individuals) or Form 7004 (certain other automatic extensions) to get the extension.
 - The relief is for (A) Federal income tax payments (including tax payments on self-employment income) and Federal income tax returns due on April 15, 2020 for the person's 2019 tax year, and (B) Federal estimated income tax payments (including tax payments on self-employment income) due on April 15, 2020 for the person's 2020 tax year.
 - No extension is provided for the payment or deposit of any other type of Federal tax (e.g. estate or gift taxes) or the filing of any Federal information return.
 - As a result of the return filing and tax payment postponement from April 15, 2020 to July 15, 2020, that period is disregarded in the calculation of any interest, penalty, or addition to tax for failure to file the postponed income tax returns or pay the postponed income taxes. Interest, penalties and additions to tax will begin to accrue again on July 16, 2020.

- The IRS has announced that payments from an HSA that are made to test for or treat COVID-19 don't affect the status of the account as an HSA (and do not cause a tax for the account holder) even if the HSA deductible has not been met.
- Vaccinations continue to be treated as preventative measures that can be paid for without regard to the deductible amount.
- Talk to your payroll provider or CPA for more information.

Families First Coronavirus Response Act

- Two weeks (up to 80 hours) of paid sick leave at the employee's regular rate of pay where the employee is unable to work because the employee is quarantined (pursuant to Federal, State, or local government order or advice of a health care provider), and/or experiencing COVID-19 symptoms and seeking a medical diagnosis; or
- Two weeks (up to 80 hours) of paid sick leave at two-thirds the employee's regular rate of pay because the employee is unable to work because of a bona fide need to care for an individual subject to quarantine (pursuant to Federal, State, or local government order or advice of a health care provider), or to care for a child (under 18 years of age) whose school or child care provider is closed or unavailable for reasons related to COVID-19, and/or the employee is experiencing a substantially similar condition as specified by the Secretary of Health and Human Services, in consultation with the Secretaries of the Treasury and Labor; and
- Up to an additional 10 weeks of paid expanded family and medical leave at two-thirds the employee's regular rate of pay where an employee, who has been employed for at least 30 calendar days, is unable to work due to a bona fide need for leave to care for a child whose school or child care provider is closed or unavailable for reasons related to COVID-19.
- The Act becomes effective on April 1, 2020 and expire on December 31, 2020. The statute is not retroactive and applies only to those workers employed on or after April 1, 2020. In addition, any FMLA leave or paid sick leave provided to an employee prior to April 1, 2020 will not be treated as satisfying an employer's obligations under the Act.
- The Act created a new category of employees who are eligible for up to a maximum of twelve (12) weeks FMLA leave to care for a child under the age of 18 if the child's school or child care facility is closed due to a public health emergency related to the Coronavirus. To be eligible, an employee must have been employed for at least thirty (30) calendar days preceding the first date of the Coronavirus FMLA leave. The DOL guidance clarified that employees are

eligible for the expanded Coronavirus FMLA leave if the employer had [the employee] on its payroll for the 30 calendar days immediately prior to the day [the] leave would begin.

- The Act applies to employers with 500 or fewer employees. The DOL guidance clarified that the size of the employer is determined as of the date that the employee's Emergency Paid Sick Leave benefits or Coronavirus FMLA leave would begin.
- Regular employees on leaves of absence, temporary employees and day laborers provided by a temporary agency should all be included when determining the size of the employer's workforce. Only independent contractors as defined by the Fair Labor Standards Act are not counted when determining the size of the employer's workforce for purposes of evaluating the applicability of the Act.
- Both the Emergency Paid Sick Leave and the Coronavirus FMLA benefits require employers to pay the employee his or her regular rate of pay up to the applicable daily maximum. The DOL guidance clarified that an employee's regular rate of pay shall include salary, hourly, commission, tips and piece rate compensation, if any. Further, the DOL guidance clarified that the employee's regular rate of pay shall be calculated as the average rate of pay over the six-month period preceding the initial date of paid leave. If the employee has not worked a full six months prior to the initial date of the paid leave, the employer shall calculate the regular rate of pay as the average of all weeks that he or she worked for the employer.
- On March 24, 2020, the DOL issued a Field Enforcement Bulletin to its offices instructing that the DOL will not bring any enforcement proceedings against an employer during the initial 30 days since the Act's passage. (Note that it is not a 30 day period from the effective date of the Act.) Accordingly, no action will be brought by the DOL to enforce the provisions of the Act until April 17, 2020 provided the employer made "good faith" efforts to comply with the statutory requirements.
- The DOL guidance explained that an employer must be able to show that: (1) the employer remedied any violations as soon as practicable; (2) the employer did not engage in a "willful" violation of the Act (i.e., the employer "knew or showed reckless disregard for the matter of whether its conduct was prohibited"); and (3) the DOL receives a written commitment from the employer to comply with the provision of the Act going forward.
- Each covered employer must post a notice of the Act's requirements in the workplace or electronically via email or via posting to an intranet or website location. The DOL has issued a preliminary draft of the posting which is attached

for your review. However, the DOL acknowledged that revisions may be necessary as further guidance and regulations are drafted.

- An employer with fewer than 50 employees may claim an exemption from the provisions of the Emergency Paid Sick Leave Act and Emergency Family and Medical Leave Expansion Act if an authorized officer of the business has determined that:
- Talk to an employment attorney for more details.

SBA Loans Overview

Emergency Injury Disaster Loan (EIDL)

- EIDLs are loans of up to \$2 million that carry interest rates up to 3.75% for companies and up to 2.75% for nonprofits, as well as principal and interest deferment for up to 4 years. The loans may be used for expenses that could have been met had the disaster not occurred, including payroll and other operating expenses.

Emergency Economic Injury Grant

- Applicable to businesses that have 500 or fewer employees (individuals employed on a full-time, part-time, or other basis).
 - In addition to Corporations, and LLC's, it does include sole proprietors, independent contractors, and eligible self-employed individuals. You will need to talk to your banker for exact criteria. Your bank needs to be an SBA lender. If they are not, find one to work with.
 - Uses include payroll costs; costs of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums; employee salaries, commissions, or similar compensations; interest on mortgage obligations; rent; utilities; interest on other debt obligations incurred before the covered period

What are the specific requirements for the Program?

- Eligible businesses may receive a grant not to exceed \$10,000
- Required to make good faith certification that the employer has been affected by COVID-19 and will use funds to retain workers and maintain payroll and other debt obligations
- No requirement that applicant is unable to obtain credit elsewhere

- Coverage period January 31, 2020 through December 31, 2020
- Business **MUST** be operational on February 15, 2020
 - Must be used for:
 - Providing sick leave due to COVID-19
 - Maintaining payroll to retain employees during disruption/slowdown
 - Covering increased costs due to interrupted supply chains
 - Paying rent/mortgage payments
 - Repaying obligations that cannot be met due to revenue losses
- Note: This is not yet available on the SBA website. I would expect it to be there this week. Also, if you apply and receive a loan under the Paycheck Protection Program, the amount of the grant will be deducted from the loan forgiveness amount.

SBA Express Bridge Loans

The Express Bridge Loan (EBL) Pilot Program authorizes SBA Express Lenders to provide expedited SBA-guaranteed bridge loan financing on an emergency basis in amounts up to \$25,000 for disaster-related purposes to small businesses located in communities affected by Presidentially-declared disasters while those small businesses apply for and await long-term financing (including through SBA's direct Disaster Loan Program, if eligible).

SBA Paycheck Protection Program

Which businesses qualify for the Program?

- Applicable to businesses that have 500 or fewer employees (includes individuals employed on a full-time, part-time, or other basis).
- In addition to Corporations and LLC's, it does include sole proprietors, independent contractors, and eligible self-employed individuals.
- You can use it for payroll costs for employees with annualized salaries less than \$100,000; costs of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums; employee salaries, commissions, or similar compensations; interest on mortgage obligations; rent; utilities; interest on other debt obligations incurred before the covered period.

What are the specific requirements for the Program?

- Eligible businesses may take out loans up to \$10 million and can cover employees making up to \$100,000 per year. The formula is 2.5X the business's average monthly payroll.

- Required to make good faith certification that the employer has been affected by COVID-19 and will use funds to retain workers and maintain payroll and other debt obligations.
- No requirement that the applicant is unable to obtain credit elsewhere.
- No personal guarantee or collateral is required for the loan.
- No pre-payment penalty.
- Business must maintain its March 24, 2020 employment levels through September 30, 2020 as much as practicable, and in any case shall not reduce its employment levels by more than 10%.

The key to this is that a portion of the loan used for covered payroll costs, interest on mortgage obligations, rent, and utilities would be forgiven on a tax-free basis as long as the employer does not reduce its number of employees during the 8-week covered period compared to the prior year; or reduce employee's pay by more than 25% during the 8-week covered period, and no reduction if the employer rehires or increases the employee's pay within the specified time period.

The interest rate for the remaining amount of the loan is 4% paid over 10 years. Loan repayments begin no sooner than 6 months after disbursement of the loan funds but no later than 12 months. Repayment deferment includes principal, interest and fees.

The portion of the loan used to pay qualifying expenses during the 8-week period is eligible for forgiveness, up to the full amount of the loan principal. It's basically FREE MONEY!

Talk to your local SBA lender for all the specifics.

<https://www.sba.gov/funding-programs/loans/paycheck-protection-program>

SBA Standard 7(a) Loan

- The 7(a) loan program is the SBA's primary program for providing financial assistance to small businesses. The terms and conditions, like the guaranty percentage and loan amount, may vary by the type of loan.
- Maximum loan amount of \$5 million
- Lenders and borrowers can negotiate the interest rate, but it may not exceed the SBA maximum
- SBA turnaround time is typically 5-10 business days

<https://www.sba.gov/partners/lenders/7a-loan-program/types-7a-loans>