



CARES ACT - Passed by Senate March 26, 2020

Late last night, the Senate passed H.R. 748 known as the “CARES Act.” Although this legislation still needs to be passed by the House on Friday and then signed by the President, it appears it will be enacted without change. Below is an initial summary of the legislation. Please note, the actual guidelines will be issued later and we will provide updates. This is just an initial summary of the changes. We will be sending out additional information as it is available, especially regarding the Paycheck Protection Program which is important relief to provide liquidity to all businesses.

Paycheck Protection Program

Businesses with less than 500 employees may obtain a new “Paycheck Protection Program” loan based on 2.5x average payroll per month and use it for payroll related costs, rent, business mortgage interest, and utilities. To the extent the amount is spent on those items in the 8 weeks following receiving the loan, that portion of the loan will be forgiven. You can obtain these new SBA loans through local banks once in effect and must keep documentation that the proceeds were used for the allowed purposes. The amount of loan forgiveness is reduced if the number of employees or weekly payroll has been reduced.

Practice Tip

This loan program is a substantial benefit – but to maximize the loan forgiveness you need to obtain the Paycheck Protection loan prior to paying payroll. If you are open on an emergency basis only and your wages for the next 8 weeks and your staff will be 25% of what it was in 2019, you may only receive forgiveness on 25% of the loan. If you use the loan to pay all your employees during a shutdown period, you

won't have it won't have it available as working capital when the business is back to normal. To maximize the benefit from this, you may want to apply for the loan when you are ready to pay payroll for the full staff. Also, you are not disqualified from this loan if you are in the process of doing an existing SBA or state loan.

Emergency EIDL Grants

These are advances on loan applications of not more than \$10,000 that can be used for payroll, business loans, and other obligations that cannot be met due to revenue losses.

Delay of Payment of Employer Payroll Taxes

The payment of the employer portion social security taxes will be postponed until 12/31/21 and 12/31/22. You will need to work with your payroll company to administer this.

Practice tip

This is essentially an interest free loan. To make sure you take advance of this, we urge everyone to use a full service payroll company (such as Connectpay, ADP, or Paychex) if you haven't already because of the difficulty in trying to implement this and other changes.

Recovery Rebates for Individuals

Recovery rebates – Individuals will receive rebates of \$1,200 (single), \$2,400 (Married filing joint) as an advanced payment of a 2020 tax credit. The credit completely phases out when 2020 AGI is \$99,000 (single) or \$198,000 (Married filing joint).

Practice tip

Many practice owners will not benefit from this rebate. But your employees will and it will be helpful in providing them liquidity just as the above items will help your business.

Enhanced unemployment

Enhanced unemployment will allow individuals collecting unemployment to receive the normal allowed amount, plus \$600 per week.

Practice tip

If your employees are collecting unemployment, this will provide additional financial relief and help ensure they are financially able to wait out the office shutdown.

Expansion of Unemployment

Self-employed individuals will be eligible for unemployment including sole proprietors, partners in partnerships, and 1099 associates.

Practice tip

If you are not eligible to receive a W-2, you may not have been previously eligible for unemployment.

Retirement

Taxpayers don't need to take a required minimum distribution from an IRA in 2020. Taxpayers affected by COVID-19 may withdraw up to \$100,000 penalty free from an IRA and spread the income over three years. They may repay the balance within 3 years and treat the distribution as a 60 day rollover. Guidelines will be issued to further clarify eligible reasons for distributions.

Practice tip

We urge clients to use other available loans to meet liquidity needs. However, if you need to draw money from an IRA, this provides the ability to meet short term obligations and then put the money back into retirement once you are able to.

Student loans

In 2020, employers may reimburse employees up to \$5,250 for student loan repayments and not have it be taxable wages to the employee. In addition, payments are not required for federal student loans until 9/30/20 and there will be no accrual of interest.

Practice tip

Use this as a recruitment or retention incentive during 2020 with associates or other employees.

Charity

\$300 above the line charitable deduction. You will not need to itemize to realize this benefit.

Depreciation

Qualified improvements (eligible leasehold improvements) are depreciated over 15 years instead of 39 years and eligible for bonus depreciation.

State loans

Unrelated to the above legislation, some states have made available their own loan programs. The available funds are being used up quickly which is why we recommending using the federal benefits but these are additional options:

Massachusetts

<https://www.empoweringsmallbusiness.org/>

Connecticut

<https://portal.ct.gov/DECD/Content/Coronavirus-Business-Recovery/CT-Recovery-Bridge-Loan-Program/FAQ>

Stay safe and healthy.

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