

COVID-19 Relief: Updated PPP/EIDL Info and Preview of Anticipated Main Street Lending Program

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Paycheck Protection Program (PPP) Update

Is there any money left?

- Initial \$349B running out, but Congress looking to add \$250B
- Eligible employers could 1st apply on 4/3/2020.

I got my money! What's forgivable?

- Payroll costs + Mortgage Interest + Rent + Utilities
- Paid (incurred?) during 8-week covered period
- Reduced by
- Pro-rata reduction in number of Full-time Employees
- Amount of payroll cost reduction below 75%

I'm self-employed, can I FINALLY apply now?

- PPP loans opened on 4/10/20, but some lenders didn't submit
- Guidance came out on 4/14/20
- Fill out your schedule C
- Partner compensation included on first-time partnership applications

Main Street Lending*

- Two programs – **Main Street New Loan Facility & Main Street Expanded Loan Facility**
- **Eligible businesses** – up to 10,000 employees or \$2.5 Billion in annual revenue; U.S. business with significant operations in and majority of employees in U.S.
- **New**: unsecured; 4-yr maturity; amortization of P&I deferred 1 yr; adjustable rate of SOFR (Secured Overnight Financing Rate) plus 250-400 basis points; min loan size \$1MM; max loan = lesser of \$25MM, or some amt (when added to existing debt) less than 4x 2019 EBITDA; no prepayment penalty
- **Expanded**: max loan = lesser of \$150MM, 30% of borrower's existing debt, or some amt (when added to existing debt) less than 6x 2019 EBITDA; existing collateral will secure on pro rata basis
- **Cannot use funds to repay or refinance pre-existing loans; must attest to exigent circumstances presented by COVID-19; must make reasonable efforts to maintain payroll and retain employees**
- **Prohibited from stock buybacks, from paying dividends or making other capital distributions, until one year loan repaid.**
- **Prohibited from increasing compensation of certain high earning employees or offering those employees significant severance until one year after loan repaid.**
- **Not eligible for forgiveness; can participate in both PPP and Main Street (if eligible)**

**Program not final; will continue to evolve as feedback is collected and guidance issued*

CARES Act Employee Retention Credit

- **What is the Employee Retention Credit** - a fully refundable tax credit for Eligible Employers equal to 50 percent of qualified wages paid from March 12, 2020, and before January 1, 2021. The maximum credit is \$5,000/employee against social security taxes under Section 3111(a).
- **Who is an Eligible Employer?**
 - 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 starting at 50% of same quarter 2019 revenues 2019 up to 80%.
 - Self-employed individuals are not eligible for this credit for their self-employment services or earnings.
- **Credit is refundable for amounts of credit in excess of Eligible Employees federal employment taxes.**
- **Eligible Employer may fund its payments of qualified wages before receiving the credits by reducing its federal employment tax deposits.**
- **Eligible Employer may reduce its federal employment tax deposit by the qualified wages that it has paid without incurring a failure to deposit penalty.**
- **Eligible Employer can NOT receive both the Employee Retention Credit and a Small Business Interruption Loan under the Paycheck Protection Program that is authorized under the CARES Act.**

Payroll Tax Deferral

- All employers who have not had paycheck protection program loan forgiven are eligible to defer certain payroll tax deposits.
- The payroll tax deposit that can be referred is the employer share of OASDI (Social Security), which means the employers 6.2% deposit that are required to be made between March 27, 2020 and December 31, 2020.
- The employee share is not deferred.
- The employer's Medicaid share of 1.45% is also not deferred.
- No employer size requirements for eligibility.
- One-half of any amount deferred is due and payable by December 31, 2021, and the other one-half is due and payable by December 31, 2022.
- Any employer that has had a PPP loan forgiven is not eligible for deferral, but the IRS does all employer's who have applied for and even received a PP loan to defer the payroll tax deposits until any amount of the PPP Loan is forgiven.

Questions?

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