



GEORGIA PRODUCTION PARTNERSHIP

**COVID-19**

**CARES Act Resource Guide**

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# For Employers and Self-Employed Individuals



- SBA Payroll Protection Program
  - Provides for forgivable loans to be used to offset payroll, rent/mortgage, and utility costs for small (<500) employers and self-employed individuals/independent contractors
  - Can borrow up to 10 million
  - The loans are non-recourse (they can't come after owners of business personally) and require no collateral
  - The max loan amount is equal to 2.5 times average monthly payroll costs for trailing 12 month period; for self-employed individuals, it is based on prior 12 months average monthly net earnings
  - For calculating max loan amount, payroll costs re defined broadly to include wages, tips, commissions, medical benefits, vacation and sick leave, state and local taxes on wages, etc.
  - Loan Amounts used to offset payrolls costs, rent/mortgage, and utilities in 8 week period following loan disbursement will be forgiven up to 100% of the amount of the loan; Forgiveness only applies to extent 75% of loan amounts used to offset payroll costs and to extent employment levels/wage levels are maintained versus previous periods
  - Interest rate is 1% and the loan term is 2 years for non-forgiven amounts; for remaining amounts, no payments are due for the first 6 months
  - Applications for small employers went live April 3, 2020; Applications for self-employed individuals go live April 10, 2020; Loans are first-come, first-served until \$350 billion allocation is exhausted
  - Many accounting firms are helping to expedite loan applications to banks for clients free of charge (they will be paid as agents of banks)

## For Employers and Self-Employed Individuals



- SBA Economic Injury Disaster Loans (EIDL)
  - Preceded kickoff of PPP loan program on April 3, 2020
  - Can apply for up to \$2 million in emergency loan funding at a rate of 3.75% and up to a 30 year term
  - Unlike PPP, apart from an emergency \$10,000 advance that acts as a grant, these loans are not forgivable
  - If you took out one of these loans from January 31, 2020 through April 3, 2020, you can still apply for a PPP loan, but you have to roll the EIDL loan into the PPP loan and the \$10,000 emergency grant is taken out of the forgivable loan amount

# For Employees, Independent Contractors & Gig Workers



- CARES Act provided for \$600 per week of federal unemployment benefits in addition to state unemployment benefits for up to 39 weeks
- Coverage extended to independent contractors, free lancers and gig workers
- Allows those who have exhausted benefits under regular unemployment compensation to receive up to 13 weeks of additional federal benefits
- Relaxes “actively seeking work” requirements under state unemployment rules
- Independent contractors or freelancers who apply to be recipients of the aid generally are required to provide evidence of past income, usually a 1099 tax form from the previous year

# Tax Relief For Individuals



- Recovery rebates
  - Taxpayer will receive a direct cash payment of up to \$1,200 for individuals, \$2,400 for joint filers, and \$500 for each dependent child
  - The rebate begins to phase out above \$75,000 in taxable income for individuals and \$112,500 for heads of households
  - The rebate does not apply to individuals who make above \$99,000 and married joint filers who make more than \$198,000
- Retirement Funds Access
  - 10% early withdrawal penalties are being waived for up to \$100,000 in distributions related to coronavirus through December 31, 2020
  - Withdrawals must be paid back over three years or they will be subject to income tax
  - Also temporarily waives minimum distribution rules for retirement plans
- Allows individuals who take the standard deduction to still claim up to \$300 in charitable deduction and individuals who itemize to claim charitable deductions up to 100% of adjusted gross income; corporations can claim up to 25% of AGI
- Suspends student loan payments and interest accrual through September 30, 2020 and halts collection efforts on delinquencies for same period
- Federal and Georgia income tax filing deadlines extended from April 15 to July 15, 2020

# Other Tax Provisions



- Eliminates loss limitation rules for sole proprietors and pass-through entities
- Deferred payment of payroll taxes
  - Allows employers to defer payment of the taxes incurred from the date of enactment (March 27, 2020) through the end of 2020 over the following two years, with the first half of the deferred amount due on December 31, 2021, and the second half due on December 31, 2022
  - Under this provision self-employed taxpayers are also entitled to defer the same tax (i.e., 50% of 12.4% OASDI portion of self-employment tax) owed over the following two years
- Employee retention credit
  - Refundable federal tax credit equal to equal to 50 percent of qualified wages paid to employees, capped at \$10,000 per quarter per employee
  - Applies to wages paid after March 12, 2020 and before Jan. 1, 2021
  - Is not available to employers receiving PPP loans
- Expanded Net Operating Losses
  - Allows net operating losses (NOLs) for tax years beginning in 2018, 2019 or 2020 to be carried back up to five years, and temporarily removes the taxable income limitation to allow NOLs to fully offset 100% of taxable income
- Expanded deductibility of certain business losses and business interest; qualified improvement property changes