CARES Act: Resources for Businesses

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief and Economic Security (CARES) Act – a historic $2 trillion stimulus package to support individuals and small businesses facing challenges from the COVID-19 pandemic. Following are some of the key provisions in the Act that businesses need to know.

Paycheck Protection Program

One of the most significant provisions in the CARES Act, the Paycheck Protection Program (PPP) is a nearly $350-billion program intended to provide American small businesses with eight weeks of cash-flow assistance through 100 percent federally guaranteed loans.

These loans will be forgiven if employment and wage levels are maintained. Because of its significance and amount of detail, we've created a separate handout on the PPP. Click here to learn more.

Small Business Economic Injury Disaster Loan Update

The SBA EIDL now includes Emergency $10,000 advances for qualified applicants. The confirmation for eligibility is done through a self-certification under penalty of perjury. These emergency funds may be used for the following uses:

- Paid sick leave related to COVID-19,
- Maintaining payroll
- Meeting increased costs to obtain materials,
- Rent and mortgage payments, and
- Repaying obligations that cannot be met due to revenue losses.

Borrowers are not required to repay any amounts advanced under this section, even if subsequently denied a loan. If a borrower is transferred, or is approved for, a loan under the PPP then the Emergency Advance amount will reduce funds available under the PPP. Click here to view our handout with more details on SBA EIDL.

Delayed Payroll Tax Payments

The CARES Act allows employers and self-employed individuals to defer the payment of the employer's share of the 6.2% Social Security tax on wages paid beginning on March 27, 2020 and ending on December 31, 2020.

The deferred payroll tax amounts are required to be paid in two installments, with 50% being due on December 31, 2021, and the remainder due on December 31, 2022.

Note that, employers and self-employed individuals who received funds through the PPP are not eligible to defer payroll tax payments.

Employee Retention Credit

Under the CARES Act, employers may be eligible for a refundable payroll tax credit for 50% of wages paid to employees during the COVID-19 crisis. The credit is provided for the first $10,000 of compensation, including health benefits, paid to an eligible employee. The credit is provided for wages paid or incurred from March 13, 2020 through Dec. 31, 2020.

To be eligible, an employer must:

- Have had operations fully or partially suspended because of a shut-down order from a governmental authority related to COVID-19, or
- Have had gross receipts decline by more than 50% in a calendar quarter when compared to the same quarter in 2019 (the employer will remain eligible for the credit until gross receipts exceed 80% relative to the same quarter in the prior year, or December 31, 2020 – whichever occurs first).

For employers with more than 100 employees (based on 2019 employment levels), qualified wages are limited to wages paid to employees who were not providing services due to the COVID-19 crisis.

Note that, employers who received funds through the PPP are not eligible for the employee retention credit.

Debt Relief
If you already have an existing SBA loan, including 7(a), Community Advantage, 504, and Microloan programs, you will not be responsible for paying principal, interest or fees for six months. Under the CARES Act, the SBA is required to pay these fees for all existing loan products.

Net Operating Losses
Limits on the ability to offset other income with carryover losses were removed through 2020. These limits had been effective beginning in 2018. Additionally, losses arising in 2018-2020 may be carried back five years, creating opportunities for businesses to carryback these losses and get refunds of tax paid in earlier years.

Excess Loss
Limits on the ability to offset other income with business losses in excess of $250,000 were removed through 2020. These limits had been effective beginning in 2018. Thus, certain taxpayers with large losses suspended at the personal level now have opportunity to carry back these losses and get refunds of tax paid in earlier years.

Business Interest Expense Limitations
The Act has made several changes to the business interest expense limitations under section 163(j). These changes will permit businesses (with more than $25 million in gross revenue) to deduct a greater amount of interest expense that was otherwise limited, for tax years beginning in 2019 or 2020.

Qualified Improvement Property
The Act makes a technical correction to the Qualified Improvement Property (QIP). QIP is generally defined as improvement made to the interior portion of a nonresidential building any time after the building was placed in service.

This change is retroactive to property placed in service after December 31, 2017 and allows businesses to take favorable depreciation, such as 100% bonus depreciation. The ability to bonus depreciate QIP may permit a business to generate a loss or otherwise reduce its tax liability in current or prior years.

Charitable Contribution Deductions
The Act increases the Corporate limitation for the deduction of "qualified charitable contributions" to 25% of 2020 taxable income, subject to special ordering rules.