



Guide to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

Member Resources

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**This document was updated 6/22/20 to include amendments made by the [Paycheck Protection Program Flexibility Act](#) (passed June 5, 2020) and additional [guidance from the Small Business Administration](#) and the U.S. Treasury [Interim and Final Rules on the Paycheck Protection Program](#).*

Overview

The Coronavirus Aid, Relief, and Economic Security Act or “CARES Act” ([H.R. 748](#)), signed into law on March 27, 2020, is designed to provide broader economic stimulus to individuals and businesses, including specific relief for heavily impacted industries. An overview is provided below.

Relief for Individuals

- Direct cash payments to individuals (\$1,200 per adult who earns less than \$75,000/year and an additional \$500 per child under age 17). These payments scale down and phase out completely at \$99,000 for singles and \$198,000 for couples (based on 2019 tax returns).
- Temporary waiver of the 10% early withdrawal penalty on retirement accounts.
- Deferral of student loan payments through September 30, 2020.

Expanded Unemployment

- Eligibility for unemployment assistance is expanded to include self-employed individuals, part-time workers, and independent contractors.
- Unemployed workers get an additional \$600/week from the federal government on top of the amount paid by the state in which they file. The additional \$600/week will be available through July 31, 2020.
- Unemployment benefits will be available for an additional 13 weeks beyond the regular number of weeks allowed by the state in which the worker files.

- The expanded unemployment coverage will be available through December 31, 2020.
- States can waive the one-week waiting period typically required for all unemployment applicants.
- States must provide flexibility in the requirement that benefit recipients actively search for work.
- Workers who are able to telework with pay or who are receiving paid leave will not be eligible for unemployment assistance.

Relief for Small Businesses

Businesses and nonprofits with less than 500 employees can obtain federal small business loans to cover payroll and operating expenses during the Coronavirus outbreak. Loan fees will be waived, no collateral is required, payment deferral options are available, and in some cases the loans may be forgiven in full.

[Loans for Small Businesses, Non-profits, and Certain Self-Employed Individuals](#)

- The CARES Act provides significant additional funding for Small Business Administration (SBA) loan programs to help small businesses and nonprofits cover expenses during the Coronavirus outbreak.
- The SBA 7(a) loan program will be expanded, enhanced, and streamlined under the new “[Paycheck Protection Program](#).” During the covered period of February 15, 2020 – December 31, 2020, loans under the Paycheck Protection Program can be used for payroll costs, costs to continue health care benefits, interest payments on mortgages and debt obligations, rent, and utilities.
- Loan funds used for qualifying expenses are eligible for full forgiveness (details below).
- To use a loan for expenses related to debt obligations, rent, and utilities, the debt obligations and service contracts must have been in place prior to February 15, 2020.

- The term **“payroll costs”** includes compensation to employees (whose principal place of residence is the United States) in the form of salary, wages, commissions, or similar compensation; cash tips or the equivalent (based on employer records of past tips or, in the absence of such records, a reasonable, good-faith employer estimate of such tips); payment for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement; payment of state and local taxes assessed on compensation of employees; and for an independent contractor or sole proprietor, wages, commissions, income, or net earnings from self-employment or similar compensation.
- The term **“payroll costs” does not include** compensation of an employee whose principal place of residence is outside of the United States; compensation of an individual employee in excess of an annual salary of \$100,000, prorated as necessary; employer side federal employment taxes (social security, Medicare, federal unemployment tax), or business payments to independent contractors.
- Additionally, "payroll costs" does not include the amounts paid for sick or family leave due to COVID-19. Paid sick and family leave must be reimbursed through the tax credit program authorized by the [Families First Coronavirus Response Act](#).
- No personal guarantee or **collateral** will be required and a recipient does not have to certify an inability to obtain credit elsewhere. **Fees** will be waived.
- The interest **rate is 1%** and the maximum loan **term is 5 years**. There is no prepayment penalty.
- The **loans are available** to small businesses, non-profits, sole proprietors, independent contractors, qualified self-employed individuals, veteran organizations, and tribal small business concerns.
- To qualify, applicants must have **fewer than 500 employees** and must have been in operation on February 15, 2020 and had employees for

whom the borrower paid wages, salaries, and payroll taxes, or paid independent contractors.

- Loans may be issued for up to **2.5 times the average monthly payroll costs** as calculated over the 12 months prior to the application date, or over the year 2019 (borrower's choice). For example, if your average monthly payroll cost for the year 2019 is \$100,000, the maximum loan amount would be \$250,000.
- **Seasonal employers** may elect to calculate average monthly payroll costs using one of the following periods:
 - February 15 – June 30, 2019
 - March 1 – June 30, 2019
 - Any consecutive 12-week period from May 1 – September 15, 2019
- If the applicant has an SBA Economic Injury Disaster Loan (EIDL) that was acquired after January 31, 2020 and before April 3, 2020, it may be refinanced under a Paycheck Protection Program loan in the future.
- The **maximum loan amount** cannot exceed \$10 million.
- Loan payments can be **deferred until a forgiveness request is submitted to SBA**, or, if forgiveness is not requested, payments can be deferred for 10 months after the covered period ends.

[Paycheck Protection Program Loan Forgiveness](#)

- The portion of a loan attributable to expenditures on payroll costs, interest payments on mortgages and debt obligations, rent, and utility payments during a specified loan forgiveness period **may be forgiven in full**.
- Loans originating prior to June 5, 2020 can elect to use an 8-week or 24-week loan forgiveness period beginning on the date when funds are disbursed into the loan recipient's account. Loans originating after June 5, 2020 will use a 24-week loan forgiveness period.
- To receive full forgiveness, the employer must maintain the same number of full-time equivalent (FTE) employees as the business had

during the period February 15, 2019 – June 30, 2019, OR the period January 1, 2020 – February 29, 2020 (borrower's choice).

- **Seasonal employers** must maintain the same number of FTE employees as the business had during either of the two periods mentioned in the preceding bullet or during a 12-week consecutive period between May 1 – September 15, 2019 (borrower's choice).
- To receive full forgiveness, not more than 40% of the forgivable amount can be used for non-payroll expenses (mortgage interest, rent, utilities). Put another way, **at least 60% of the forgivable amount must be attributable to payroll costs.**
- To receive full forgiveness, the employer may not reduce the average weekly salary or wages of any employee during the loan period by more than 25% of the average weekly salary or wages of the employee during the period January 1 – March 31, 2020.
- If a borrower **previously laid off workers from February 15 through April 26, 2020** the reduction in FTE shall not count against the borrower during the period for loan forgiveness purposes, so long as employee reductions are eliminated **by December 31, 2020.**
- The amount of **forgiveness cannot exceed the principal amount** of the financing made available through the loan.
- Additional forgiveness requirements are detailed in the [AMGA FAQ on PPP Loan Forgiveness.](#)

[Economic Injury Disaster Loans \(EIDL\) and Emergency EIDL Grants](#)

- SBA [Economic Injury Disaster Loans](#) for up to **\$2 million** are available to small businesses and nonprofits with fewer than 500 employees, an individual who operates under a sole proprietorship with or without employees, an independent contractor, a cooperative with fewer than 500 employees, an ESOP, or a tribal small business concern.
- An EIDL loan can be used for fixed debts (rent, etc.), payroll, accounts payable, and some bills that could have been paid had the disaster not occurred.

- Applicants for an EIDL loan can receive an emergency **EIDL grant for up to \$1000 per employee** (maximum of \$10,000) within three days of the loan application being processed.
- Emergency grant funds can be used for paying sick leave due to COVID-19, maintaining payroll, making rent or mortgage payments, and repaying obligations that cannot be met due to revenue losses.
- An applicant **shall not be required to repay** any amounts of an emergency EIDL grant even if subsequently denied an EIDL loan.
- A personal **guarantee is not required** for EIDL loans under \$200,000.
- The regular requirement that a business be in operation for at least 1 year is **waived** although the business must have been in operation on January 31, 2020.
- If an applicant that receives an emergency EIDL grant transfers into, or is approved for, a Paycheck Protection Program loan, the **emergency grant amount shall be reduced from the loan forgiveness** amount provided under the Paycheck Protection Program.
- The Labor Department will issue rules that govern loans, forgiveness, and grants.

[What is the difference between a Paycheck Protection Program Loan and an EIDL Grant and Loan?](#)

- A Paycheck Protection Program Loan allows a portion of the loan to be forgiven that is used for payroll costs, costs to continue health care benefits, interest payments on debts, rent, and utilities incurred over an 8-week or 24-week covered period. To receive full forgiveness, an employer must maintain the same number of FTE employees during the covered period as the business had during a chosen reference period (February 15, 2019 – June 30, 2019; January 1, 2020 – February 29, 2020; or a 12-week consecutive period between May 1 – September 15, 2019). The employer must also spend at least 60% of the total loan proceeds on payroll costs and may not reduce any individual employee's average weekly earnings by more than 25% as compared to the average weekly

earnings January 1 – March 31, 2020. Amounts not forgiven will carry forward as a loan with a rate of 1% and a maturity of 5 years.

- An EIDL emergency grant provides an advance up to \$10,000 within three days after an EIDL loan application is received. Amounts may be used for paying sick leave due to COVID-19, maintaining payroll, making rent or mortgage payments, and repaying obligations that cannot be met due to revenue losses. EIDL emergency grants do not need to be repaid.
- Additional funds procured through an EIDL loan are available at a maximum interest rate of 3.75% for small businesses and 2.75% for non-profits, for a term up to 30 years.
- An EIDL loan can be used for fixed debts (rent, etc.), payroll, accounts payable, and some bills that could have been paid had the disaster not occurred.
- If an applicant that receives an emergency EIDL grant transfers into, or is approved for, a Paycheck Protection Program loan, the emergency grant amount shall be reduced from the loan forgiveness amount provided under the Paycheck Protection Program.
- An EIDL grant/loan and a PPP loan cannot be used for the same purpose at the same time. For example, if a PPP loan is used for payroll costs during the month of May, an EIDL grant/loan cannot also be used for payroll costs in May.

[Tax Benefits in the CARES Act](#)

- **To be eligible for the tax benefits in the CARES Act**, a business or nonprofit must have carried on a trade or business in 2020 and had their operation partially or fully suspended due to orders from a governmental authority limiting commerce, travel, or group meetings due to COVID-19. A business (but not a nonprofit) may also be eligible if gross receipts for any calendar quarter in 2020 are less than 50 percent of gross receipts for the same calendar quarter in 2019.

- Eligible employers as described above can get a **tax credit for 50% of employment taxes**, up to \$10,000 per worker. NOTE - if an employer is a recipient of an SBA 7(a) loan, they will not be eligible for the tax credit.
- Employers and self-employed individuals may **defer the payroll taxes** they pay on wages. The deferred tax would have to be paid over the following two years: half by December 31, 2021, and the other half by December 31, 2022.
- **Business losses** incurred in 2020 can be carried back up to 5 years to reduce past tax liabilities.

[Supporting Materials](#)

[AMGA FAQ on the PPP Loan Program](#)

[AMGA FAQ on the PPP Loan Program for Self-Employed Individuals](#)

[AMGA FAQ on PPP Loan Forgiveness](#)

[Paycheck Protection Program General Information](#)

[Paycheck Protection Program Borrower Information Sheet](#)

[SBA Frequently Asked Questions on the PPP Loan Program](#)

[U.S. Treasury Interim and Final Rules on the Paycheck Protection Program](#)

[Paycheck Protection Program Flexibility Act of 2020](#)

[PPP Loan Forgiveness Application](#)

[PPP Loan Forgiveness Application Instructions](#)

[PPP Loan Forgiveness Application Form EZ](#)

[PPP Loan Forgiveness Application Form EZ Instructions](#)

[Economic Injury Disaster Loan and Grant General Information](#)

[Economic Injury Disaster Loan and Grant Application](#)