CARES Act Update: How to benefit from new tax provisions and forgivable loan opportunities
Presentation Outline:

- Individual Tax Relief
- Tax Benefits for Businesses
- Paycheck Protection Loans
DISCLAIMER: This presentation is based on the information and interpretations we have as of 3/30/20. Future guidance is expected by the government. Such guidance and other information may change the content of this presentation. JLKR has no obligation to update the content of this presentation or notify participants of changes.
Individual Relief
Individual Relief:

• Recovery Rebates
  • $1200 individual, $2400 married, $500 kids <17
  • AGI Limits: $75K individuals; $150K couples
  • Based on: 19 filing, then 18 filing, then SSA1099
Individual Relief:

• Charitable Contribution Deduction
  • Old: no charitable deduction w/o itemizing
  • New: $300 deduction allowed w/o itemizing
Individual Relief:

• Required Minimum Distributions
  • 2020 required minimum distributions are relaxed

• Loan limits increased to $100K on qualified plans
Individual Relief:

- Retirement Plan Distributions (up to $100K)
  - Penalty free if early distribution
  - Still taxable unless paid back w/in 3 years
  - Income spread over 3 years (2020/2021/2022)
  - Limited to those impacted by COVID-19
Takeaways for Individuals:

✔ Timing of 2019 filing to maximize rebate
✔ Consider charity even if you don’t itemize
✔ Consider options for your retirement funds
Tax Benefits for Business
Tax Benefits for Business:

• Payroll Tax Delay
  • 2020 ER side of Social Security (6.2%) deferred
  • Payment required 50% in each 2021 & 2022
  • Social Security side of S/E Tax also allowed deferral
Tax Benefits for Business:

• Employee Retention Credit
  • For businesses shut down or > 50% revenue drop
  • Credit is 50% of wages (up to $10K/EE)
  • Credit is funded through payroll tax remittance
  • Cannot double dip w/ paycheck protection loan
Tax Benefits for Business:

• Net Operating Losses
  • 5-year carryback allowed
  • Tax rate change benefit

• Employer-Paid Student Loan Payments
  • Tax-free payments for student loans (<$5250)
Tax Benefits for Business:

• Retirement Plans

• Charitable Contributions Limits Raised
  • Will help corporations deduct donations
  • New limit: 25% (old 10%)
Tax Benefits for Business:

• Easing of Interest Expense Limitations
• Easing of Excess Business Loss Limitations
• Clarifications on Qualified Improvement Property
Consider Implementing:

✓ Defer paying ER 6.2% side of payroll taxes
✓ EE retention credit vs PPL
✓ Student loan payment plan for employees
✓ Reviewing other possible benefits w/ JLKR
Paycheck Protection Loans
Paycheck Protection Program

• What is a paycheck protection loan?
  • Subsidized loan w/ favorable terms
  • Helps those concerned about impact of C-19
  • Portion may be forgivable
Paycheck Protection Program

• Is this the same as a COVID-19 Disaster Loan I’ve heard about?
  
• No. A lot of businesses believe it is the same, but it is not. It is a completely different program with easier underwriting and better terms.
Paycheck Protection Program

• Who qualifies?
  • Generally, businesses w/ < 500 employees
  • Some others may also qualify
    • Including, non-profits, churches & sole prop
Paycheck Protection Program

• What is the loan for?
  • Businesses with uncertainty due to economy
  • To support ongoing operations
  • Funds used to retain workers and maintain payroll, mortgages, leases, and utilities
Paycheck Protection Program

• What is the maximum loan amount?
  • 2.5X average monthly “payroll costs”
  • Up to $10M ($4M/mo payroll costs)
  • The higher your payroll, the higher the loan
Paycheck Protection Program

• What is included in payroll costs?
  • Salary, wages, commissions, etc..
  • Health insurance premiums
  • Retirement benefits
  • Certain payments to independent contractors
Paycheck Protection Program

• What is excluded from payroll costs?
  • Workers’ comp
  • Payroll taxes
  • Compensation over $100K per EE
  • Credits received for paid leave under FFCRA
Paycheck Protection Program

• Example of Max Loan:
  • 50 EEs with $60K/year payroll costs
  • Max loan is $625K
    • 50 EE x $60K/yr / 12 mos = $250K/mo x 2.5 factor
Paycheck Protection Program

• Is it forgivable?
  • The loan may be up to 100% forgiven
  • If employee base is kept
Paycheck Protection Program

• How much is forgivable?
  • 8 weeks of:
    • Payroll costs
    • Lease payments and mortgage interest
    • Utility payments
Paycheck Protection Program

• Example of forgiveness:
  • 50 EEs with $60K/year payroll costs, $40K/mo rent, and $2K utilities...no reduction of EEs
  • Forgivable: approx $539K (8 wks is not 2 mos)
  • We are exploring ideas to increase this to 100%
Paycheck Protection Program

• Reduced Workforce
  • Forgivable amount is reduced if there is a workforce reduction
  • Employees on paid leave are still employed
Paycheck Protection Program

• But, what about…
  • The forgivable loan portion is not taxable
  • No personal guarantees & no security
  • Remaining loan: 10 year at 4% rate
  • Payments deferred up to a year w/ 6 mos subsidized
Paycheck Protection Program

• What about sole proprietors?
  • Max Loan is 2.5X monthly net income
  • Max Comp of $100K/year ($8,333/mo)
    • $8,333 x 2.5 = $20,833
  • Forgivable: $100K / 52 x 8 = $15,385
Paycheck Protection Program

• Sounds good, what now?
  • We need to begin cost roll ups & gather info
  • Banks are working on applications with SBA
  • Goal: Maximize loan received & forgivable amount
Open minds. Open doors.

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