

# Coronavirus Aid, Relief, and Economic Security (“CARES”) Act – Business Provisions

# Questions?

Please email your questions to  
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# Disclosure

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The information provided is not written or intended as specific tax or legal advice. MassMutual, Fortis Lux Financial, employees, and representatives are not authorized to give tax or legal advice. Individuals are encouraged to seek advice from their own tax or legal counsel. Individuals involved in the estate planning process should work with an estate planning team, including their own personal legal or tax counsel.

This summary of the CARES Act, as of April 3, 2020, focuses on provisions that might be of interest to businesses. It is not intended to cover all provisions of the act or its potential impacts. You are advised to speak to your tax and legal advisors regarding your specific situation.





# CARES Act -Agenda

- Overview of Congressional Actions
- Business Provisions:
  - Paycheck Protection Program Loans
  - Economic Injury Disaster Loans
  - Exchange Stabilization Fund
  - Employee Retention Credit
  - Payroll Tax Deferral
  - Net Operating Loss Carrybacks
  - Enhanced Interest Deductions
  - Miscellaneous





# Overview –Legislative response to COVID-19

Laws enacted as of March 30, 2020

## **Phase 1 – March 6, 2020 – Coronavirus Preparedness and Response Supplemental Appropriations Act**

Provides emergency funding (\$8.3 billion) to treat and prevent the widespread transmission and effects of COVID-19. It is intended to make diagnostic testing more broadly available, to support treatment of the virus, and to provide assistance to affected small businesses.

## **Phase 2 –March 18, 2020 –Families First Coronavirus Response Act (FFCRA)**

FFCRA (estimated \$100 billion) provides paid sick leave, tax credits, and free COVID-19 testing; expands food assistance and unemployment benefits; and increases Medicaid funding.

## **Phase 3 –March 27th –Coronavirus Aid, Relief, and Economic Security (CARES) Act**

CARES (estimated \$2 trillion) includes provisions for public health and education as well as provisions intended to assist individuals, businesses (including nonprofits) of all sizes, certain industries, state and local governments.



# CARES Act – Business Provisions

Application deadline for a Payroll Protection Program Loan is June 30, 2020



# • • • CARES Act –Business Highlights

## Paycheck Protection Program (PPP) –Small Business Interruption Loans

### Eligibility:

- ▶ All businesses (including sole proprietors, self-employed and certain nonprofits)
  - With fewer than 500 employees (other limited exceptions)
  - Have been “substantially affected by COVID-19”
    - Supply chain disruptions
    - Staffing challenges
    - Decrease in sales or customers

### Other Details:

- ▶ Maximum maturity of 10 years; 1% interest rate
- ▶ Limited to lesser of:
  - \$10 million, or
  - 2.5 times average monthly payroll (prior year, with adjustments for new entities or seasonal businesses)
- ▶ Non-recourse, no personal guarantee required
- ▶ SBA Express loans increased from \$350,000 to \$1million –used in form of line of credit





# ● ● ● CARES Act –Business Highlights

## Paycheck Protection Program (PPP) –Small Business Interruption Loans

### Use of Loan:

#### ► Business operations:

- Payroll, including paid sick, medical, family leave and medical and retirement benefits for those on leave
- Employee salaries, capped at \$100,000
- Compensation of \$100,000 (pro-rated) can be taken into account by sole proprietors
- Compensation does not include payments to independent contractors
- Rent or Interest on Business mortgage payments
- Utilities
- Debt service interest on debt incurred before February 15





# • • • CARES Act –Business Highlights

Paycheck Protection Program (PPP) –Small Business Interruption Loans

**Loan Forgiveness (plus interest) -expenses for 8 weeks after loan origination for:**

- ▶ Cost of maintaining payroll continuity and other allowable costs
  - Amount of loan forgiveness reduced by any reductions in employee wages (in excess of 25% for any employee) or a reduction in the number of employees during covered period through June 30, 2020

## **Taxation:**

- ▶ Canceled indebtedness is excluded from gross income
- ▶ Borrower must document compliance

## **Where to apply?**

- ▶ Issued by SBA 7(a) lenders: more than 800 SBA-certified lenders, including banks, credit unions, and other financial institutions

Recipients of forgivable loans are not permitted to receive Employee Retention Credit or Payroll Tax Deferral (discussed on later slide)



# • • • CARES Act –Business Highlights

## Economic Injury Disaster Loans (EIDL) –Enhancement to Existing Program

### Eligibility:

- ▶ All businesses (including sole proprietors, with or without employees), self-employed and nonprofits
  - With fewer than 500 employees (other limited exceptions)
  - Have suffered substantial economic injury as a result of declared disaster (COVID-19)

### Details:

- Maximum maturity of 30 years
  - Maximum loan of \$2 million
  - Interest rate is 3.75% for profit businesses; 2.75% non-profit businesses
  - No personal guarantee required for loans below \$200,000
  - Business must have been in in operation as of January 31, 2020
- ▶ Application may be approved based solely on credit score of applicant; tax returns not required



# • • • CARES Act –Business Highlights

## Economic Injury Disaster Loans (EIDL) –Enhancement to Existing Program

### **Additional Details:**

- ▶ Applicant may request an advancement of \$10,000 as a grant which must be distributed within three days of submitting application
- ▶ Advancement not required to be repaid even if loan application is denied so long as proceeds are used to pay following expenses:
  - Providing paid sick leave to employees unable to work due to COVID-19
  - Maintaining payroll during disruption or slowdown
  - Meeting increased costs of obtaining materials due to interrupted supply chains
  - Making rent or mortgage payments
  - Repaying obligations that cannot be met due to revenue losses

**Note, you can apply for both PPP and EIDL loans; they cannot be used for same expenses**

- ▶ The application for these loans can be found at <https://covid19relief.sba.gov/#/>





# Questions?

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## Families First Coronavirus Response Act and Extension of Time to File and Pay Federal Taxes

RESOURCE: Massachusetts Mutual Life Insurance Company (MassMutual)

CRN202204-262636

# Recovery Rebates for Individuals

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- Refundable income tax credits against 2020 income
  - \$1200 for individuals and head of household
  - \$2400 for married filing jointly
  - Additional \$500 credit for each “qualifying” child
    - Under 17 in 2020 birthday
    - U.S. citizen/resident
- Eligibility
  - Must be U.S. citizen or resident
  - Must have a social security number
  - Cannot be eligible to be claimed as dependent by another person, even if not actually claimed on other’s return
  - Trusts and estates are not eligible





# Recovery Rebates (continued)

## Phase-out

- \$50 for every \$1,000 (or 5%) of AGI that exceeds \$150,000 (MFJ), \$112,500 (HH) and \$75,000 (other filers)
- Each additional qualifying child increases AGI level of phase-out by \$10,000

Filing status	\$0 Rebate if AGI exceeds:			
	No qualifying children	1 qualifying child	2 qualifying children	3 qualifying children
<b>Married filing joint</b>	\$198,000	\$208,000	\$218,000	\$228,000
<b>Head of household</b>	\$136,500	\$146,500	\$156,500	\$166,500
<b>All Others</b>	\$99,000	\$109,000	\$119,000	\$129,000



# Recovery Rebates (continued)

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## Other Information

- Paid “as rapidly as possible,” possibly as soon as April 17, 2020
- Direct deposit or by mail at last known address
- Based on 2019 return, if filed, otherwise 2018 return
  - Final rebate based on 2020 income, filing status and dependents
  - If rebate greater than entitled, keep it
  - If rebate less than entitled, applied to reduce 2020 tax or increase refund
- If you don't normally file a tax return, may need to file a simple return
  - Doesn't apply to Social Security recipients who don't normally need to file
- Not reportable as income
  - Advance refund of a credit against 2020 tax



# Retirement Plan Special Distribution Rules

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- In 2020, suspension of the 10% penalty for early distributions for COVID-19 reasons of up to \$100,000 from IRAs, 401(k) plans, 403(b) plans, Governmental 457(b) plans
  - No 20% withholding from QP distributions – certify for COVID-19 reasons below
- Income tax can be paid in 2020, or elect to split evenly over 2020, 2021, and 2022 tax years
- Qualification rules:
  - Diagnosed with COVID-19 (spouse or dependents)
  - Financial adversity as a result of being
    - Quarantined
    - Furloughed
    - Laid off or hours reduced
    - Unable to work due to lack of child care due to COVID-19
- May still roll funds back into IRA or QP at anytime during three year period





# Other Retirement Plan Changes

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- Suspension of RMDs for 2020 (IRAs, SEP, SIMPLE, 401(k), 403(b), and governmental 457(b))
  - Includes inherited IRAs
- Already taken 2020 RMD?
  - Can roll back in if within 60 days unless from IRA and already completed indirect rollover between IRAs within last 366 days.
  - If you qualify for a COVID-19 penalty free distribution can roll back within 3 year period from date of distribution
- 2020 ignored for purposes of “The 5 year rule”
  - Applies to non-designated bene (estate, charity, certain trusts) who inherited from decedent dying between 2015 and 2019



# Loans from Qualified Plans

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## Changes to QP loan provisions – 401(k) or 403(b)

- Max loan increased from lesser of 50% of plan balance or \$50,000 to lesser of plan balance or \$100,000
- Must have COVID-19 reason
  - Quarantined
  - Furloughed
  - Laid off or hours reduced
  - Unable to work due to lack of child care due to COVID-19
- Repayments that may have been due in 2020, may be delayed up to one year



# Charitable Deduction Changes

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## **Partial above-the-line charitable deduction allowed**

- Normally, charitable deductions only reduces income for itemizers
- Now, up to \$300 of cash contributions made after 1/1/2020 can reduce gross income for non-itemizers
  - Must be cash contribution directly to 501(c)(3), not supporting organization or DAFs

## **Modification on charitable contribution deduction limits**

- Waives 60% AGI limit on cash contributions for 2020
- Now, AGI limit is increased to 100% for cash contributions
  - Can completely eliminate 2020 income tax
  - Any excess can be carried forward 5 years
  - Must be cash contribution directly to 501(c)(3), not supporting organization or DAFs





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RESOURCE: Massachusetts Mutual Life  
Insurance Company (MassMutual)

**∴ MassMutual**