



Economic Security (CARES) Act: **(For Business Owners)**

You may have questions on the CARES Act as a business owner. The following are some informational points you may want to know regarding the Economic Security (CARES) Act depending on the case and situation you are in now.

Relief Provisions: Key Points for Businesses Owner

1. Small Business Paycheck Protection Program Loan

- * The CARES Act also establishes a process through which borrowers can request forgiveness of a payroll protection loan.
- * Government-backed forgivable loan
- * 500 or fewer employees (all business types)
- * Lesser of \$10M or average total monthly “payroll costs” for 1-year period x 2.5
- * Employers receiving employee tax retention credit are ineligible
- * Application process ends 6/30/20
- * “Payroll costs” = salaries, wages, tips, retirement benefits, some employer-provided benefits, severance payments, state/local taxes paid on employee compensation, and other comp paid to employees/independent contractors
- * “Compensation” limited to \$100,000
- * Payments (not interest) suspended for 6 mos-1 yr
- * Max 4% interest
- * 10-year max maturity date
- * Employer can apply for loan forgiveness (not included in income)
- * Max=cumulative amount of payroll costs, rent, utility payments, and interest paid on real or personal property mortgages during 8-week period following loan origination.
- * SBA will reimburse lender forgiven amount plus add’l accrued interest within 90 days
- * If any part of loan forgiven part, borrower can’t defer 2020 payroll tax obligations.

2. Employee Retention Tax Credit (ERTC)

- * An alternative way the CARES Act can provide relief to qualifying businesses.
- * Refundable payroll tax credit against employer’s share of Social Security taxes
- * 50% of qualified wages paid from 3/13/20 to 12/31/20, up to a total of \$10,000 per employee (i.e., max credit of \$5k per employee)



- * Qualified wages = paid by businesses during a shutdown order or during a period of significantly declined gross receipts
- * If employer has >100 full-time employees, ERTC only available for wages paid to employees not providing services due to shutdown or decline in gross receipts.
- * ERTC is unavailable to businesses receiving Payroll Protection Loan
- * Subject to recapture.

3. Payroll Tax Payment Deferral

- * Defers pmt of employer share of Soc Sec for employers and self-employed people
- * 50% of deferred amounts must be paid by 12/31/21; balance due by 12/31/22
- * Like ERTC, not applicable to employers with payroll protection loans
- * Qualified wages = paid by businesses during a shutdown order or during a period of significantly declined gross receipts

4. S-corps, LLCs, partnerships, sole proprietorships: limited 20% deduction for qualified business income (non-wage based income) per IRC §199A (new) (sunsets in 2025).

For more In-depth detail of the above information, please visit the official website of the U.S. Department of the Treasury at <https://home.treasury.gov/policy-issues/cares>.