



4900 Rt. 33W • Suite 100  
Wall Twp., NJ 07753  
Phone: 732-256-9646  
Fax: 732-256-9666  
Web: www.njgca.org

March 30, 2020

- Federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
  - Signed into law Friday March 27, 2020
  - **Paycheck Protection Program (PPP) Loans**
    - \$350 billion
    - For small businesses (under 500 employees)
    - How is it administered?
      - Lenders who are already certified to participate in the Small Business Administration's (SBA) Section 7(a) program can provide these loans directly, with the financing backed by the SBA.
      - Lenders who are not currently certified by SBA will be able to participate once the Treasury Department finalizes a process to involve them for the duration of the emergency.
      - Treasury Secretary Mnuchin has said that the application process should be completed by April 3rd and that loans will be approved within one or two days after being applied for.
    - How much can be loaned?
      - The amount of this loan is your average monthly payroll cost in the previous year multiplied by 2.5, up to \$10 million.
        - Payroll includes wages and other benefits given, including healthcare and paid leave costs, and state and local payroll taxes.
        - It does not include payment for the new types of leave provided by the federal government under the Families First law, because that leave is being repaid through refundable tax credits.
      - If you have already qualified for an SBA disaster loan, that loan amount will not be held against the amount of money you can take out under a PPP loan (although that money cannot be forgiven like the PPP loan can).
    - What can the money be used for?
      - Payroll costs, mortgage, rent, utilities (gas, water, electricity, phone, and internet), insurance premiums, and interest payments on debt obligations which were incurred before Feb. 15, 2020. The PPP loans can be used for any of these expenses made between Feb 15 and June 30, 2020.
    - How much can be forgiven?
      - The total amount spent on qualifying expenses made from the date of the loan and for 8 weeks after.
      - Qualifying expenses are
        - Payroll costs

- Utilities
- Rent
- Interest Payments on mortgages
- **\*\*Reduction in Amount Forgiven\*\***
  - The amount of loan forgiveness will be reduced in proportion to any reduction in employees retained and/or a reduction in employee compensation by more than 25%, compared with the “reference period”.
    - The reference period is either February 15, 2019-June 30, 2019 or January 1, 2020-February 29, 2020. The employer may choose which period to use.
  - There will be no penalty for having already laid off employees if the positions are re-filled by June 20.
  - If a business with 10 employees laid off 5, then the amount of total loan forgiveness would be reduced 50%.
- Application for forgiveness of an expense is made to the lender, who must decide within 60 days whether it is valid.
  - Special Terms
    - Borrower and lender fees are waived
    - Collateral and personal guarantee requirements waived
    - Maximum term of loan is 10 years
    - Interest rate is capped at 4%
  - Payments deferred for at least 6 months, may be deferred up to a year
  - **So How Do I Apply?**
    - Contact your local bank immediately and ask them about “Paycheck Protection Program Loans”. It is the local lender that will be providing and administering the loans, not the federal government.
- Employee Retention Tax Credit
  - Refundable payroll tax credit
  - Not available if business has received a Paycheck Protection Program loan
  - Who can get these tax credits?
    - Businesses that experienced a decline of gross receipts of at least 50% vs. the same calendar quarter last year
    - Businesses fully or partially suspended by the government
  - How much is the credit?
    - 50% of the first \$10,000 of qualified wages paid to employees (including health benefits) per quarter, from March 13, 2020 until gross receipts reach 80% of what they were in the previous year, or until December 31st (whichever is sooner)

- Businesses with fewer than 100 employees can use the tax credit on all employees.
- Payroll Tax Holiday
  - Employers may defer payment of Social Security taxes for the rest of calendar 2020.
  - The full amount must still be paid, with half of it due by December 31, 2021 and the other half due December 21, 2022.
  - The goal is to free up cash for employers if absolutely necessary.
- Stimulus Checks for individuals
  - \$1,200 per individual (\$2,400 for married couple filing jointly), plus \$500 per dependent child. The rebate begins to phase out after \$75,000 for an individual, \$112,500 for a head of household, or \$150,000 for joint taxpayers. Phased out completely at \$99,000 for an individual with no children and \$198,000 for couples with no children.
  - Taxpayers do not need to apply for these checks, they will be sent automatically based on the 2019 income tax return. If returns for 2019 haven't been filed, then it will be based on the 2018 income tax return.
    - If the IRS has direct deposit information on record, it will be depositing the checks very soon. Otherwise they will be mailed, the Treasury Secretary has estimated 3 weeks for them to begin arriving.

