

We (clients and accountants) have been inundated this week with new information, programs and deadlines. We have compiled a list of the new programs to help guide you through the options that are available to you and which you may wish to apply for. Even if you have already applied, we think this list will be a useful tool to monitor your applications and responses as you begin to hear back.

Paycheck Protection Program (“PPP”) – SBA 7(a) – Federal

This must be applied for through a bank. If you do not have a banker, please contact us and we may be able to offer a referral. For small businesses, the loan amount is calculated using payroll costs and certain other business expenses related to payroll. The loans can potentially be forgiven if used for payroll expenses, interest payments on business mortgages, office rent, or utilities.

Payroll includes up to \$100,000 of payments to partners or even distributions for sole proprietors. Even if you have no employees, you can potentially qualify for this program.

You must retain your employees to qualify for loan forgiveness. Another advantage is that the forgiveness of this loan is not considered taxable income. Loan forgiveness, also called “cancellation of debt,” is usually taxable.

- Application for Small Businesses and Sole Proprietors are being accepted as of April 3rd.
- Application for Independent Contractors and Self-Employed People are being accepted as of April 10th.

Economic Injury Disaster Loan (“EIDL”) – SBA 7(b) – Federal

This must be applied for online directly through the Small Business Association (“SBA”). These are long term, low interest loans. There can be an immediate grant (**Emergency Economic Injury Grant**) of up to \$10,000 as a bridge while the loan application is being processed. If you do get the advanced payment, it can be forgivable, but would reduce the amount of forgiveness that you are eligible for from the Paycheck Protection loan.

****** The Paycheck Protection Program and Economic Injury Disaster Loan are applied for separately, but work in conjunction with each other. Many people have already applied for the EIDL through the SBA website. You can receive both the PPP and the EIDL as long as you are not using both loans to pay the same costs. For example, you cannot use the EIDL to cover payroll if you have already received the PPP.

Please see the attachment “CARES Act Loans & Grant” for a summary of the loans and grants described above.

Self-employed individuals, please see the example on page 4 for an illustration of how the PPP, EIDL and unemployment benefits can affect one another. The example also offers guidance on which loans you should apply for and which may be better to forgo.

NYC Business Continuity Loan

Can be applied for online. This is an interest free loan. Eligible businesses can apply for up to \$75,000. To be eligible, you must meet all the following criteria:

1. Business must be located within NYC.
2. Business must be able to demonstrate that the COVID-19 outbreak caused at least a 25% decrease in revenue
3. Business must have fewer than 100 employees
4. Business must demonstrate the ability to repay the loan
5. Business must have no outstanding tax liens or legal judgements

If you do not feel that either the PPP or the EIDL are the best options for you, you may still be eligible for payroll tax relief. Two Federal payroll tax relief programs have been put into place. You are not eligible for either of these payroll tax relief programs if you receive any of the loans detailed above.

Employee Retention Credit

- An eligible business may claim this credit if the business is fully or partially suspended during the quarter and the gross receipts are less than 50% of the comparable quarter for the previous year.
- The amount of the credit is 50% of qualifying wages up to \$10,000 per employee. This credit is calculated every quarter and covers wages paid from 03/12/2020 – 01/01/2021.
- Cost of employer provided health insurance are considered for the credit as well.
- **To claim this credit employers can adjust their Federal Payroll Tax Payments or file Form 7200. Form 7200 can be filed to receive an advance from the government to ensure a company can continue to meet payroll.**

Payroll Tax Payment Delay

- Employer-side Social Security payroll tax payments may be delayed.
- 50% would be due 12/31/2021 and the remaining 50% due on 12/31/2022
- This only applies to the employer portion of Social Security (6.2%).
- This does not apply to any taxes withheld from employees.

Separate from those payroll tax credits, the Federal government has expanded Paid Sick Time as well as Paid Family Leave.

Emergency Paid Sick Leave Act

- Requires employers with fewer than 500 employees to provide sick time to each employee if the employee is unable to go to work or work remotely.
- The sick leave credit per employee is limited to \$511 per day for up to 10 days if the employee is taking leave to care for themselves and limited to \$200 per day for up to 10 days if the employee is taking leave to care family member or child (including for school closures).
- Cost of employer provided health insurance are considered for the credit as well.
- **Self-employed people are eligible**
- **Form 7200 can be used to claim advance credit**

Qualified Family Leave Credit

- An employee who is unable to work, that is cannot work remotely, because they are caring for a child who is experiencing COVID-19 or whose school has been closed is entitled to 2/3 of their regular pay up to a total of \$10,000.
- The employer is eligible for a fully refundable tax credit equal to the required paid family leave.
- This tax credit includes the employer's cost of Medicare tax.
- It also includes the cost of employer provided health insurance.
- The employer portion of Social Security is not charged on these wages.
- The first 10 days of leave are not covered, so the employee may use paid sick time or other paid time off for the first 10 days.
- Tax credits are treated as income, expenses are deductible
- **Self-employed people are eligible**
- **Form 7200 can be used to claim advance credit**

Separate from the above grants, loans, and payroll tax credits, the Federal government has also expanded unemployment insurance.

Unemployment Insurance

- The amount that can be collected has increased by \$600 per week for 4 months. The amount of time that an individual is able to collect has also been increased an additional 13 weeks. Before this bill, only people paid as employees on Form W-2 were eligible to collect unemployment benefits. **This stimulus package allows small business owners, self-employed people, gig employees, part-time employees and students to be eligible to collect benefits as well.**

The link below, to the New York Department of Labor website, is a very good summary of the new unemployment insurance guidelines under the CARES Act --

<https://www.labor.ny.gov/ui/pdfs/self-employed-ui-guide.pdf>

Here is a link to guide **self-employed individuals** through the New York State unemployment insurance claims process - <https://www.labor.ny.gov/ui/pdfs/self-employed-ui-guide.pdf>

- For employers - Although the government has expanded unemployment insurance, it seems that their goal by offering the grants, loans and payroll tax credits is to assist employers so that their employees do not need to apply for unemployment benefits.

EXAMPLE for Self-Employed Individuals

The PPP loans for self-employed individuals is based on two and a half months of business profit. If your business profit is less than \$4,000 a month and you have no employees, it is unlikely that the PPP would be beneficial for you.

When you apply for the EIDL, \$10,000 of the loan can be forgivable. The amount of the PPP loan that is forgivable would be reduced by this amount. If your monthly profit is \$4,000 or less, your PPP loan would be \$10,000 or less. So, with an EIDL reducing the amount that is forgivable, none of the PPP would be forgivable. Therefore, there would be no point applying for a PPP loan.

If you receive a PPP loan, you cannot apply for unemployment benefits for eight weeks since the intent of the PPP is to ensure salary continuation for eight weeks. Therefore, for small businesses with income to owners of \$4,000 or less per month, it would make more sense to apply for the EIDL and unemployment benefits.

We also believe that that forgoing the PPP and applying for the EIDL and unemployment benefits for those making a bit more than \$4,000 of profit a month as unemployment benefits will probably be greater than the forgivable amount of the PPP loan.