

## Phase III: Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”)

Key details regarding the small business effects of the CARES Act:

| <b>Issue:</b>                 | <b>Small Business Loans (potentially forgivable)</b>  |
|-------------------------------|---|
| Eligibility:                  | Businesses (including sole proprietorships and non-profits) with less than 500 employees (per location) who certify that the “uncertainty of current economic conditions” makes the loan necessary to “support the ongoing operations” of the business  |
| Maximum Amount:               | <ul style="list-style-type: none"> <li>• The loan to be the <b>lesser of</b> (a) \$10,000,000.00 or (b) 2.5 multiplied by the average total monthly payments for “payroll costs” for the one-year pre-loan period <i>and</i> any disaster loan proceeds already received. Subpart (b) is different for seasonal or newer companies.</li> <li>• “Payroll Costs” <b>means</b> salary/wage/commission/cash tips, vacation/sick/severance pay, group health care benefits (including premiums), retirement benefits, state/local tax paid on employee compensation, sole proprietor compensation (not to exceed \$100k/yr).</li> <li>• “Payroll costs” <b>does NOT include</b> compensation in excess of \$100k/yr (prorated), federal taxes paid on employee compensation, compensation of employees who reside outside the US, amounts paid pursuant to Phase II bill.</li> </ul> |
| Allowable Uses:               | <ul style="list-style-type: none"> <li>• <b>Payroll costs</b> (defined above, and subject to per-person limits of pro-rated \$100k/yr)</li> <li>• <b>Mortgage interest</b> (but not principal)</li> <li>• <b>Rent/lease payments</b> (for leases in existence prior to 2/15/2020)</li> <li>• <b>Utility payments</b> (electricity, gas, water, transportation, telephone, or internet access)</li> <li>• Interest on other debt obligations (but not principal)</li> </ul>  |
| Loan Forgiveness (Sec. 1106): | <ul style="list-style-type: none"> <li>• Loan funds used for payroll continuity (i.e., allowable uses in bold above) during covered period (i.e., 8 weeks from receipt of loan funds) are eligible for forgiveness</li> <li>• Must certify to Lender and provide documentation of specific allowable uses</li> <li>• Amounts of loan forgiveness may be reduced by reduction in employee wages or number of employees</li> <li>• Any amounts forgiven are treated as cancelled indebtedness, but are specifically excepted from gross income for tax purposes; additional tax consequences for writeoffs</li> </ul>   |
| Other terms:                  | <ul style="list-style-type: none"> <li>• Maximum loan term is 10 (2) years; maximum rate is 4% (1%); payments are deferred for 6-12 months</li> <li>• Loans are 100% guaranteed by SBA; made by SBA 7(a) lenders (expanded for these loans)</li> <li>• No personal guaranty or collateral requirements; non-recourse loans</li> </ul>   |

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### Additional Federal Programs and/or Phase III benefits:

| <b>Program:</b>                           | <b>Description</b>  |
|---|---|
| SBA Economic Injury Disaster Loan Program | Loan amount up to \$2,000,000.00; loan term up to 30 years; 3.75% rate (2.75% for nonprofit); generally require collateral over \$25k in loan value; loans under this program can be refinanced through Phase III business interruption loans   |
| Income Tax Filing & Payment               | <ul style="list-style-type: none"> <li>• Federal deadline extended to July 15, 2020</li> <li>• Idaho state deadline extended to June 15, 2020</li> </ul>  |
| “Phase II” Families First CV Response Act | <ul style="list-style-type: none"> <li>• <b>Tax credits</b> to small businesses to cover: <ul style="list-style-type: none"> <li>• Two weeks paid sick leave for quarantined, sick family members, or school closings</li> <li>• Up to 3 months of FMLA leave for the same things</li> </ul> </li> <li>• Potential exemptions for business with less than 50 employees</li> </ul>   |
| Tax Issues                                | <ul style="list-style-type: none"> <li>• <b>Delays of payment</b> of Employer Payroll taxes (50% due by 12/31/2021; 50% by 12/31/2022)</li> <li>• <b>Changes to NOL</b> rules (allows losses to be carried back for longer periods of time)</li> <li>• <b>Increases</b> the amount of <b>interest expenses</b> that may be deducted (30% to 50%)</li> </ul>   |
| CARES Act & Bankruptcy                    | <ul style="list-style-type: none"> <li>• <b>Increases the Debt limit</b> for Chapter 11 Subchapter V Debtors (\$2.7M to \$7.5M)</li> <li>• <b>Excludes COVID-19 related payments</b> from “disposable income” for individuals</li> <li>• <b>Extends time</b> for repayment of Chapter 13 plans</li> </ul>   |
| Student loans                             | <ul style="list-style-type: none"> <li>• <b>Federal student loan</b> principal and interest deferred for 6 months</li> <li>• <b>Employer tuition-assistance programs:</b> Employers can pay employee student loan payments up to \$5,250 in 2020; does not qualify as income to employee; employer can deduct as expense</li> </ul>   |
| Best Practices                            | <ul style="list-style-type: none"> <li>• <b>Take this moment</b> to review your business; business plan; current loans; current contracts; expansion opportunities; documenting partnership/operating agreements; buy-sell agreements; employment agreements</li> <li>• <b>Talk to a banker or attorney</b> about funding possibilities</li> <li>• <b>Be smart</b> – don’t fall for scams or seek improper funding; use proper resources</li> </ul> |

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