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Hello everyone, I hope you and your family are staying safe and doing well.

Yesterday, the Senate passed the CARES Act. We sent out a couple of emails giving details on the tax relief provisions of the act. We did not address the Paycheck Protection Program provision of the Act. I was wanting to wait until we had detailed guidance on the program, but I feel it is too important to wait so this email is what I know of the program as of today.

The plan provides \$349 billion in 100% federally guaranteed loans to small businesses and 501(c)(3) nonprofit organizations.

You qualify for this program if you had less than 500 employees and that the uncertainty of current economic conditions makes necessary the loan request to support continuing operations.

The loans will be administered through local banks that are approved through the Small Business Administration 7(a) loan program. You will want to check with your banker to see if they are providing these loans. There will be a massive response to this program so start communicating with your banker as soon as possible. Understand that they are still figuring out how this loan will be administered so don't expect them to have all of the answers right now.

The maximum loan amount is 2.5 times your average monthly payroll cost. This includes salary, wages, commissions, tips, PTO, health insurance, and retirement benefits. I believe this is going to be based on the 1 year period before you applied for the loan. If you were not operational in 2019, they are going to use payroll incurred in January and February of 2020. Annual salaries over \$100K are not included in the calculation. I am not clear on this area as I am not sure if they will remove the \$100K completely from the calculation or just the amount that exceeds the \$100K. I hope to get more clarification on this issue.

The loans can be used to pay payroll costs, health benefits, employee salaries, interest payments on mortgage obligations, rent, utilities and interest on any other debt obligations that were incurred before the covered period.

The loans may have up to a 10 year term, and the interest rate may not exceed 4%.

The Paycheck Protection Program offers debt forgiveness on the amounts borrowed. The maximum amount you can have forgiven is the sum of all payroll costs, mortgage interest payments, rents and utility payments incurred and made during the eight weeks following the loan origination, not to exceed the original loan amount. If you reduce your number of full time equivalent employees and/or you reduce wages or salary, your debt forgiveness will be reduced.

The amount that is forgiven will not be taxed to the borrower as income.

This is a general overview of the program as I understand it today. There are complexities and details to this program that I will not go into for this email since it will only effect a small percentage of clients. For those clients I can provide more detail and guidance if requested.

Just an FYI, we are still fully operational and here to help and will remain that way through the stay at home order. Let us know if we can be of any assistance.

Thank you!

Raymond E Halstead, CPA

REH CPA, PLLC

rehcpas.com

704-662-8249

223 Williamson Rd, Suite 104
Mooresville, NC 28117

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