

The CARES Act

Five Ways Businesses Can Receive Cash Right Now

By Thomas J. Riggs, JD, CPA, MAS, Partner and Director Financial Services Tax

The spread of the coronavirus has forced governments across the globe to enact far-reaching stimulus measures in an attempt to blunt the unfolding economic slowdown. The United States has been front and center in this worldwide effort with its recent enactment of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). This Act represents upwards of \$2.2 trillion dollars in direct cash based relief that is now immediately available to businesses and individuals.

In a chart on the following page, we have outlined the five federal CARES Act programs designed to immediately put cash into the hands of businesses across the country.

About the CARES Act

The CARES Act provides direct cash based relief that is both significant and immediately available to business entities. These federal programs are in addition to any state level relief which is also being made available nationwide. Guidance and even further legislation at the federal level is anticipated, and we will provide updates as these are forthcoming.

Contact Us

The Financial Services Group at PKF O'Connor Davies is available to assist with all aspects of the federal CARES Act stimulus programs. For more information, please visit our [COVID-19 Resource Center](#) or contact:

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The CARES Act – Five Ways Businesses Can Receive Cash Right Now (as of 3/31/20)

	Economic Injury Disaster Loans (EIDL)	The Paycheck Protection Program (PPP)	Payroll Tax Deferral (PTD)	Employee Retention Credit (ERC)	Credit Support Relief (CSR) for Large Businesses
Key Features	<ul style="list-style-type: none"> • Low interest Federal loans (3.75% for businesses, 2.75% for not-for-profits) up to \$2 million dollars, with maximum maturity of 30 years. 	<ul style="list-style-type: none"> • Non-recourse forgivable loans at up to 4% interest and maximum 10-year maturity. • Loan forgiveness, if proceeds are used for payroll, rent, mortgage interest, utilities, etc. • Forgivable amount must be spent within 8 weeks of the date of the loan. • Maximum loan amount equal to 2.5 X average monthly payroll over prior 12 months (\$100,000 salary limit per employee). • No taxable income recognition upon the debt relief. 	<ul style="list-style-type: none"> • Defers due date of employer portion of payroll tax liability incurred from 3/27/20 to 12/31/20. • Available to businesses and sole proprietors. • Applies to payroll tax liabilities incurred from March 27, 2020 through December 31, 2020. • 50% of deferred tax liability becomes due on 12/31/2021, remaining 50% due 12/31/2022. • No interest or penalties will be charged, and no limits or caps on amount. 	<ul style="list-style-type: none"> • Cash payment equal to 50% of employee wages, up to \$5,000 per employee. • Takes the form of refundable payroll tax credit. • Not available if PPP relief is obtained. • For employers averaging 100 or fewer employees in 2019, all qualified wages are included. • For employers averaging more than 100 employees during 2019, there are restrictions on what constitutes qualified wages. 	<ul style="list-style-type: none"> • Non-forgivable loan issuance at the discretion of the Treasury, no maximum amount. • Rates and specific terms negotiable, with maturities not to exceed 5 years.
Eligibility	<ul style="list-style-type: none"> • Must qualify as a “small business” under Small Business Administration (SBA) guidelines as modified by the CARES Act. • Generally, under 500 employees and not a prohibited business, e.g., an investment fund. • Proceeds can be used for payroll, rent, utilities or mortgage interest. • No need to demonstrate direct virus induced hardship. 	<ul style="list-style-type: none"> • Must demonstrate adverse impact on the business such as staffing challenges or reduction in sales and/or customers. • Other requirements similar to the EIDL eligibility. • Employee headcount must be maintained. 	<ul style="list-style-type: none"> • No requirement of direct adverse effect from the coronavirus. • Not available if PPP relief is obtained and is coupled with debt forgiveness. 	<ul style="list-style-type: none"> • Requires full or partial shut-down of the business, or 50% reduction of gross receipts. 	<ul style="list-style-type: none"> • Targets businesses that do not qualify under SBA guidelines. • Certain imitations with respect to dividend payouts, stock buybacks and compensation levels.
How to Apply	<ul style="list-style-type: none"> • Application is made directly to the SBA. • Electronic application available online. 	<ul style="list-style-type: none"> • Loan applications are made directly to and administered by approved SBA 7(a) lenders. 	<ul style="list-style-type: none"> • No application required, amounts reflected within quarterly Form 941 payroll filings. 	<ul style="list-style-type: none"> • No application required, amounts reflected within quarterly Form 941 payroll filings. 	<ul style="list-style-type: none"> • Awaiting specific guidance.