

# CARES Act Q&A

March 26, 2020

Please note that this is a description of the CARES Act as passed by the Senate on March 25, 2020. This bill still has to pass the House and then be signed by President Trump before it becomes effective. Therefore, we do not know if these will be the final provisions of the bill, but large changes from the House are not anticipated.

## Small Business Loans

### 1. What organizations are eligible for a loan?

Any business or nonprofit that employs 500 or fewer people is eligible to receive a loan. The lender can only consider whether the borrower was in operation on February 15, 2020 and had employees for whom the borrower paid salaries and payroll taxes.

### 2. During what period can a business get a loan, and for how much?

Loans are available for the period February 15, 2020 through June 30, 2020. The maximum loan amount will be the organization's **average total monthly payments** for payroll **multiplied by 2.5** (as long as that is less than \$10,000,000). So essentially the loan can cover payroll expenses for your ministry for two and a half months.

### 3. What may be included in the figure for payroll?

The following amounts are included: a) salary, wages and other compensation, b) payments for PTO, leave or vacation, c) payments for group health coverage, d) payment for retirement benefits, and e) state and local tax on the compensation. Payroll does include payments to independent contractors, but it does not include the compensation of an individual employee or independent contractor paid in excess of \$100,000. Payroll costs should also not include expenses resulting from the granting of qualified sick leave wages or qualified family leave wages that qualify for a Families First Coronavirus Response Act tax credit.

### 4. What can the loans be used for?

The loans can be used for payroll, mortgage interest payments (not principal), rent payments, utilities and interest on any other debt obligations incurred before February 15, 2020.

### 5. Are there special terms to the loan?

The fees usually associated with loans under the Small Business Act will be waived or reduced to the maximum extent possible. Lenders will also be required to provide complete payment deferment relief for impacted borrowers with these loans for a period of up to one year.

### 6. Are there any loan forgiveness programs for these loans?

A loan recipient will be eligible for loan forgiveness in an amount equal to the cost of payroll, mortgage interest, rent and utilities during the 8-week period beginning on the date of the loan origination.

The amount of loan forgiveness is reduced by a formula regarding decreases in employees and compensation during the above-described 8-week period. A recipient who receives loan forgiveness must certify that the funds were used to retain workers or pay mortgage interest, rent or utilities, and must provide documentation to show that.

## Relief for Individuals, Families and Businesses

### 1. What kind of tax credits are individuals eligible for?

Eligible individuals will receive checks in the amount of \$1,200 (or \$2,400 in case of a joint return). There is an additional amount of \$500 paid per child. The credit is reduced by five percent of the taxpayer's gross income that exceeds \$75,000 (or \$150,000 in the case of a joint return).

### 2. How does a taxpayer qualify for this relief?

Checks will be mailed or deposited electronically. Individuals do not have to take any additional steps now provided they filed a tax return for 2018 or 2019.

### 3. What changes have been made to how I access my retirement funds?

The bill waives the 10 percent early withdrawal tax for withdrawals up to \$100,000 that are related to the coronavirus (individual is diagnosed with the disease, the spouse or dependent is diagnosed with the disease, or experienced adverse financial consequences as a result of the pandemic). The \$50,000 cap on plan loans also has been raised to \$100,000.

### 4. When must withdrawn retirement funds be repaid?

The individual who receives the coronavirus distribution has up to three years following the date of distribution to repay the amounts to the plan, but need not repay it, and can have it treated as a distribution. If so treated, taxation of the distributed amount may be spread over a three year period.

If any retirement funds loan due date is due between the date of the bill's enactment and 12/31/20, that due date will be extended for one year.

### 5. Are there any changes to tax deductions?

The bill allows for a \$300 above the line deduction for taxpayers who do not itemize deductions for charitable contributions. The 50 percent limit on charitable contributions by individuals is also suspended for 2020 and other limitations relaxed.

### 6. What are the details of the credit available to employers that retain workers during this time?

The employee retention credit allows for 50 percent of qualified wages in a calendar quarter to be used as a credit against employment taxes. The maximum total wages that the credit could be used for any one employee is \$10,000, making the maximum credit per employee \$5,000. Wages paid to a minister are not within the definition of qualified wages for this credit.

### 7. How does an employer become eligible for this credit?

Employers that have done business in 2020 are eligible for this credit if they have had operations fully or partially suspended during the quarter due to orders from a government authority **OR** have experienced a significant decline in gross receipts.

A significant decline has occurred when a company's gross receipts are less than 50 percent of the gross receipts for the same quarter in the previous year (beginning with first quarter 2020). A company is no longer eligible when gross receipts in a calendar quarter are greater than 80 percent of gross receipts from the same quarter in the previous year. *Note that the credit is not available if the employer receives a small business loan as described above.*

### 8. What wages qualify for this credit?

- Eligible employers that employ 100 or more workers: wages paid when the employee is not providing services due to a shut down or when gross receipts fall as described above.
- Eligible employers that employ fewer than 100 workers: wages paid when a business is shut down per governmental decree or when gross receipts fall as described above.
- Healthcare costs attributable to the wages are also eligible for the credit.
- This applies to wages paid after March 12, 2020 and before January 1, 2021.