

CARES Act and Paycheck Protection Program Update from Sinel Wilfand & Vinci CPAs, Inc. March 31, 2020

On Friday, March 27, 2020, the U.S. Congress passed and President Trump signed the CARES Act (the Coronavirus Aid, Relief, and Economic Security Act). As a part of the new relief plan, the Small Business Administration (SBA) has created a nearly \$350 billion loan program called the Paycheck Protection Program which aims to provide small businesses and other eligible borrowers forgivable bank loans that are fully guaranteed by the SBA. Although the CARES Act has been signed into law, it has yet to be implemented. Implementation could take from 10 to 21 days.

- The program is available to any business with 500 or fewer employees, an individual who operates as a sole proprietor, self-employed, or independent contractor to help with payroll, rent, utilities, healthcare costs and more.
- The maximum loan amount is 2.5 times the business' monthly payroll, subject to a \$10 million cap.
- Loans are forgiven up to the amount of a borrower's payroll, rent, mortgage interest, and utility costs incurred during an eight-week period after a loan is originated, subject to terms outlined in the legislation

If you believe your business will qualify for relief from the CARES Act/Paycheck Protection Program, it may be helpful to gather the following information in preparation for this digital application:

- 2019 Payroll – Have an understanding of what your current one-month payroll costs are, and what they have been over the last twelve months. Any payroll statements or financial reporting you have for a loan file would be helpful. Employee wages in excess of \$100,000 are excluded.
- Healthcare costs – all health insurance premiums paid by the business owner under a group health plan.
- Retirement – your company retirement plan funding paid for by the business.

In evaluating the eligibility, lenders are directed to consider whether the borrower was in operation before February 15, 2020 and had employees for whom they paid salaries and payroll taxes or paid independent contractors.

Lenders will also ask you for a good faith certification that:

1. The uncertainty of current economic conditions makes the loan request necessary to support ongoing operations.
2. The borrower will use the loan proceeds to retain workers and maintain payroll or make mortgage, lease, and utility payments.

3. Borrower does not have an application pending for a loan duplicative of the purpose and amounts applied for.
4. From February 15, 2020 to December 31, 2020, the borrower has not received a duplicate loan for the purpose and amounts applied for (Note: There is an opportunity to fold emergency loans made between January 31, 2020 and the date this loan program becomes available into a new loan)

If you are an independent contractor, sole proprietor, or self-employed individual, lenders will also be looking for certain documents (final requirements will be announced by the government) such as payroll tax filings, Forms 1099-MISC, and income and expenses from the sole proprietorship.

This will be done through your current business banking relationship since all these payments will be directed through your operating account at the bank. The application process will be done on line and we will assist you in any way we can.

Also, we have been told that banks are giving their current business clients preference in the process. As you receive information from your bank, please forward it to us so that we can assist you with your submission.

We sincerely appreciate your continued support and cooperation over the next few months. Rest assured that our commitment continues to be to help our clients with their tax compliance and planning and accounting needs. Now more than ever, we are striving to be as efficient and productive as possible. We are grateful for your confidence in us and allowing us to continue to serve you!

Sinel Wilfand & Vinci CPAs

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