

# Key Updates Since April 1 Webinar on COVID-19 Federal Stimulus Bills

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**The matters discussed in these materials  
provide general information only.**

**You should consult with an advisor about your  
specific situation before undertaking action  
based on such general information.**

# Updates as of April 24, 2020

- General law update
- Paycheck protection loans
- Economic injury disaster loans
- Main street lending program
- Payroll tax credits and deferral

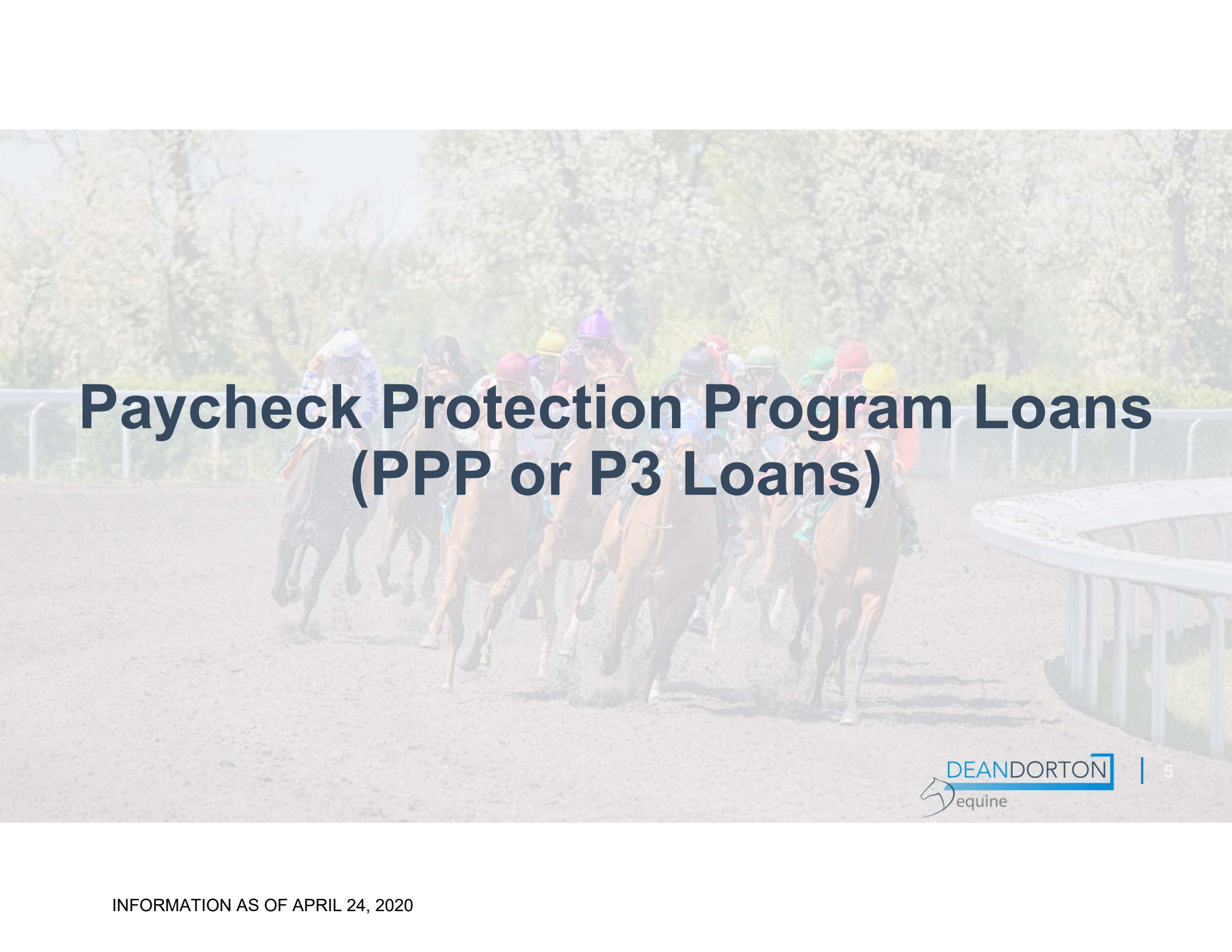
 *Refer to our April 1 webinar materials on the NTRA's website for additional information*

# General law update



Paycheck Protection Program and Health Care Enhancement Act signed into law on April 24, 2020

- Two key updates for industry participants:
  - PPP loan program: an additional \$310B of funding is allocated, \$60B of which is for smaller banks and credit unions
  - EIDL program: farms with 500 or fewer employees are now eligible to apply



# Paycheck Protection Program Loans (PPP or P3 Loans)

# PPP Loans: updates

- Additional \$310B of funding included with law passed on April 24, 2020
- Loan terms (*as announced by Treasury on April 2, 2020*):



Two-year loan  
at 1% interest



Deferral of  
payment for  
six months



Interest accrues  
as of the date the  
loan is received



No prepayment  
penalty

# PPP Loans: updates

- Racetracks are now eligible for the PPP loans if they otherwise meet the criteria
  - Still need to apply the SBA's affiliation rules
- Additional focus / scrutiny on the certification regarding the necessity of the PPP loan to support on-going operations due to current economic conditions

# PPP Loans: updates

- Partnerships should include both employee payroll costs and self-employment income of partners on partnership's PPP loan application versus partners separately applying
- Self employed: PPP loan calculated based on 2019 Sch C net profit. If less than zero, not eligible for PPP loan. PPP loan forgiveness is limited to 8/52 of 2019 net profit.



# PPP Loans: what remains the same

- 501(c)(6) entities are not eligible
- The affiliation rules of the SBA still apply

# PPP Loans: what is unclear

Additional guidance from Treasury is needed to calculate the forgiveness portion of the loan



There are many interpretations given the wording of the CARES Act



# Economic Injury Disaster Loans (EIDL)

# EIDL program updates



Farms with 500 or fewer employees are now eligible  
(applies to those whose primary activity is breeding horses)

- EIDL emergency advance grants (up to \$10K per applicant): additional \$10B allocated to fund these grants
- EIDL program: additional \$50B allocated to fund this program

# EIDL program updates

- EIDL emergency advance grants (up to \$10K per applicant) that do not have to be repaid:



Available to businesses  
with 1-500 employees  
and sole proprietors



Advance is \$1K per  
employee, up to \$10K  
in total per applicant

# EIDL program updates

- EIDL initial loan disbursements (in addition to the \$10K advance) to be repaid:



Based on two months of working capital, up to a maximum of \$15K per applicant



First loan payment back to SBA on EIDLs is deferred for one year

# EIDL program: what remains the same

- SBA calculates the amount of loan and term based on working capital needs
- Affiliation rules still apply
- Refer to the SBA's small business definition for various industries; may be different than the 500 or less employees required for the PPP loans



# Main Street Lending Programs



# Main street lending programs: the basics

- CARES Act provides \$454B (plus potential additional amounts) for loans, loan guarantees, and investments in support of emergency lending by the Federal Reserve
- Banks will implement a program as outlined by Treasury in order to make loans to mid-size businesses
- Available to qualifying businesses which did not receive adequate relief via the CARES Act (via PPP or EIDL)

# Main street lending programs: the basics

- Eligible borrowers are U.S.-based businesses with the majority of operations in the U.S. and employees based in the US with:
  - Up to 10,000 employees **or**
  - Up to \$2.5B in 2019 annual revenues
- May participate in one of the following:
  - Main Street Expanded Loan: loans prior to April 8
  - Main Street New Loan: loans on or after April 8



# Main street lending programs: the basics



Businesses that have obtained PPP loans may also participate in this loan program



Loans are not forgivable but prepayments are permitted without penalty



Loan proceeds may not be used to repay other loans/lines of credit



Additional certifications required

# Main street lending programs: loan terms

- General: SOFR (currently 0.1%) + 2.5% - 4%
- Four-year loan term; \$1M loan minimum
- Payments on principal and interest deferred one year
- Origination fees apply
- Collateral will likely be required
- Borrowers must agree to certain compensation, stock repurchase and dividend restrictions and commit to make reasonable efforts to maintain payroll and retain workers (but specific levels of employment are not required)

# Main street lending programs: loan terms

## New loan

The lesser of:

- \$25M *or*
- An amount that, when added to the borrower's existing outstanding and committed but undrawn debt, does not exceed four times the borrower's 2019 EBITDA (earnings before interest, taxes, depreciation and amortization)

# Main street lending programs: loan terms

## Expanded loan

The lesser of:

- \$150M *or*
- 30% of the borrower's existing outstanding and committed but undrawn bank debt *or*
- An amount that, when added to the borrower's existing outstanding and committed but undrawn debt, does not exceed six times the borrower's 2019 EBITDA (earnings before interest, taxes, depreciation and amortization)

# Main street lending programs: what is unclear

Treasury has yet to issue any guidance regarding program



Anticipated around May 1, 2020



# Payroll Tax Credits and Deferral



# Deferral of employer social security tax: update

- No election is necessary for deferral
- Employers who have received a PPP loan, but whose loan is not yet forgiven, may defer deposit and payment of the employer's share of Social Security taxes beginning on March 27, 2020 until the loan is forgiven
  - These taxes will continue to be deferred under the normal payment terms for this program
- Once the employer's PPP loan is forgiven, this deferral is no longer available

# Advance of payroll tax credits: update

- Use Form 7200 to request an advance payment of the refundable payroll tax credits for the mandatory COVID-19 related leave programs and the employee retention credit
- Otherwise, these payroll tax credits are claimed on the quarterly payroll tax returns (2020 second quarter payroll tax forms to be updated to reflect this)

# Thank you

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