CARES Act
SUMMARY OF THE SMB ASSISTANCE PROGRAMS

ISSUE	SBA PAYCHECK PROTECTION PROGRAM (PPP)	EMPLOYEE RETENTION TAX CREDIT	DEFERRAL OF PAYMENT OF EMPLOYER'S SOCIAL SECURITY TAXES
WHO IS ELIGIBLE	**Potentially forgivable SBA Paycheck Protection loans will be available to:** • **Small Business Concerns**: determined using the standard SBA definitions based on employee count, receipts, and industry classification (most small businesses expected to qualify) -- affiliation rules apply. Business generally must be independently owned, for-profit that operates primarily in the US, and that is not "dominant in its field of operation" • **Other Business Concerns**: meeting the SBA definition of "business concern" with no more than 500 employees – affiliation rules apply except for businesses receiving Small Business Investment Act financial assistance • **Certain Non-Profit Entities**: Internal Revenue Code (Code) section 501(c)(3) entities; Code section 501(c)(19) veterans organizations; and tribal business concerns with no more than 500 employees -- affiliation rules expected to apply • **Hospitality and Food Service Concerns**: o NAICS code must begin with "72" o No more than 500 employees, but 500 employee count satisfied provided each separate physical location has 500 or less employees (not based on total) o Affiliation rules do not apply • **Franchises** (regardless of sector): No more than 500 employees -- affiliation rules do not apply *[Note that **SBA regulations provide that businesses that enter into a co- employer arrangement with a PEO are not affiliated with the PEO solely on the basis of the agreement.** 13 CFR § 121.103(b)(4)]*	**Available to employers:** (1) that were carrying on a trade or business during calendar year 2020, and (2) with respect to any calendar quarter: o had its operations fully or partially suspended under government orders due to COVID-19, or o had a decline of at least 50% in gross receipts as compared to the same calendar quarter in the prior year Special rules to be provided for employers that were not in operation for all of 2020 Tax-exempt employers described in Code section 501(c) are treated as having met the conditions for eligibility (i.e., they are deemed to satisfy the trade or business requirement and the full or partial suspension requirement)	**All employers are eligible** (*subject to the exception described in the last row, page 2)*

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POTENTIAL BENEFITS	**LOAN TERMS --** Potentially forgivable SBA loans will be made available to eligible employers. Applies to loans made between 2/20/20 and 6/30/20 • **Maximum Loan Amount**: 250% of average monthly payroll costs (based on 12-month look back) o Maximum loan amount capped at $10 million o Payroll costs include: ▪ Salary, wage, commission, or similar compensation (generally capped at $100,000/employee) ▪ Cash tips or equivalent ▪ Pay for vacation, parental, family, medical, or sick leave ▪ Allowance for dismissal or separation ▪ Group health care benefits "including insurance premiums" ▪ Retirement benefits ▪ State or local tax assessed on the compensation of employees ▪ Certain sole proprietor and independent contractor compensation • **Generous Loan Terms:** o Loans will be 100% guaranteed by the SBA o No application fees allowed o No closing costs allowed o First 6 months of principal and interest automatically deferred o Maximum interest rate of 4% o Maximum loan term of 10 years • **Streamlined Loan Procedures:** o Nonrecourse; no collateral; no personal guarantees o Waiver of requirement to explore credit availability from other sources o Borrower must only certify that: (a) loan is necessary to support ongoing operations; (b) funds will be used to retain employees and maintain payroll or make mortgage payments, lease payments, or utility payments; and (c) no prior loan under this program has been received and there are no applications pending for duplicate amounts **LOAN FORGIVENESS** – Some (or all) of the loan will be forgiven • **Maximum Eligible Loan Forgiveness:** Generally, loans will be forgiven to the extent the borrower demonstrates that the proceeds were used to cover the following during the period between 2/15/20 through 6/30/20: o Payroll costs (as defined above) o Rent obligated under a lease in effect before 2/15/20 o Utility costs for services which began before 2/15/20 o Interest on the business' mortgage obligations • **Forgiven Loans Not Subject to Tax**	**Employer generally entitled to a tax credit equal to 50% of "qualified wages" with respect to each employee for the quarter.** Credit can be taken immediately against the employer portion of Social Security taxes (Code section 3111(a)) that are due (and potentially against other federal employment tax obligations that the IRS specifies). If employer is not able to claim entire credit against applicable employment taxes due, any excess credit is treated as an overpayment to be refunded promptly by the IRS. **"Qualified wages" are calculated as follows:** • For employers with 100 or fewer full-time employees: all employee wages paid • For employers with more than 100 full time employees: wages paid to employees not performing services due to COVID-19-related circumstances (either suspension of operations or reduction in gross receipts) • Maximum total wages considered for any employee are capped at $10,000 (i.e., max credit is $5,000 **per employee)** • Credit calculation includes employer's "properly allocable" qualified health plan expenses with respect to the employee • Wages considered under paid sick/family leave (FFCRA) (i.e., those that receive a separate 100% credit) are excluded	**Employers may defer employer share of Social Security tax deposits (Code section 3111(a)) due for the period beginning 3/27/20 through 12/31/2020.** **Payment schedule for deferred taxes:** o 50% due by 12/31/2021 o 50% due by 12/31/2022 PEO client employers would assume sole liability for payment of any deferred taxes when the client directs the PEO to defer tax payment with respect to wages paid by the PEO under this deferral option. IRS expected to issue guidance on rules for the administration and enforcement of these provisions Comparable tax deferral provisions are provided to partners with respect to ½ of SECA taxes for the period beginning 3/27/20 through 12/31/2020

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POTENTIAL BENEFITS	• **Reductions in Loan Forgiveness:** The portion of the loan that will be forgiven will be reduced if there is a reduction in the employee count and/or the extent to which there is a significant reduction in wages paid to an employee. o Employee Count Reduction: The loan forgiveness amount will be reduced based on the ratio of (i) the average number of full-time equivalent employees (FTEEs) during the 8-week period beginning on origination date of Paycheck Protection Program loan (the "covered period"); divided by (ii) the average number of FTEEs during a choice period. For this purpose, the choice period will, at election of borrower, be either (a) 2/15/19 to 6/30/19, or (b) 1/1/20 to 2/29/20 o Wage Reduction: In addition, the amount of loan forgiveness will be further reduced by the amount of reduction in total salary and wages of any employee during the covered period when compared to the most recent full quarter during which the employee was employed before the covered period. This reduction would not apply to any employer who received wages or salary at an annualized rate of more than $100,000 for any pay period in 2019.	Full-time employee count is determined in same manner as the Affordable Care Act's shared responsibility provisions (Code section 4980H). IRS authorized to provide guidance to clients and PEOs on documentation necessary to substantiate the eligible employer status of clients	
RESTRICTIONS ON OVERLAPPING BENEFITS	A business with an SBA Paycheck Protection loan will not be eligible for the employee retention credit (described to the right) A business that has had indebtedness forgiven under the SBA Paycheck Protection program will not be eligible for deferral of Social Security taxes (described in far right column)	Credit not available if eligible employer receives a covered loan under SBA's new Paycheck Protection program (described to the left) Also, no double benefit with: o Work opportunity credit (Code section 51) o Employer credit for paid family and medical leave added in 2017 tax reform legislation (Code sec. 45S)	Social Security tax deferral is not available if taxpayer has had indebtedness forgiven under new SBA loan forgiveness provisions (described to the left) However, it is possible that the IRS will determine that partners in an LLP may be eligible for SECA tax deferral even if the LLP obtains an SBA Paycheck Protection loan