CARES ACT FOR SMALL BUSINESSES GENERALLY WITH LESS THAN 500 EMPLOYEES:

IF your small business is structured as a partnership, or a sole proprietorship please see the FAQs for Individuals with self-employment income.

We are a reimbursing employer for unemployment will we have to reimburse for all the additional unemployment payments?

No.

The Act pay 50% of the unemployment insurance costs incurred by state, local and tribal government and non-profit organization, not part of the Unemployment Insurance program.

If we rehire some employees that we laid-off since March 1 can we make them wait 30 days to take the Expanded FMLA under the Families First Act?

No.

If they had worked for you 30 days of the last 60 calendar days prior to the employee's layoff they are entitled to the Expanded FMLA immediately upon rehire.

Does this Act do away with the employer share of FICA taxes?
No, it does however give you the opportunity to delay paying them. Employers and self-employed individuals can keep the amount of employer taxes they owe for 2020 and pay ½ of them by 12/31/21 and the other half by 12/31/22. The Act does not change how much you will be required to pay just when you pay it. If you receive a loan through the Paycheck Protection Program you ARE eligible to delay paying your payroll taxes. (This was updated and allowed with the Paycheck Protection Program Flexibility Act of 2020 signed on 6/5/2020.)

We would recommend proceeding with caution with this option. You will still be required to pay the taxes and delaying 2 years may not be in the best interest of your company.

Did the Act change the net operating loss carryback rules?
Yes, if you had a net operating loss (NOL) on your 2018 or 2019 income tax you can file amended returns for the 5 years preceding and offset any income in those years with the losses sustained in 2018 or 2019. If you have a loss in 2020 you will also be able to carry them back 5 years. The Act also (temporarily) removed the 80% of taxable income limitation on the use of NOLs incurred in those years, so they can full offset income.

For example: Your tax returns showed the following:

2013	Net Income of	$50,000
2014	Net Income of	$25,000

2015	Net Income of	$10,000
2016	Net Income of	$ 500
2017	Net Loss of	$10,000
2018	Net loss of	$45,000
2019	Net loss of	$55,000

You can file an amended 2013 return and carryback the $45,000 of NOL that you had in 2018 to offset $45,000 of the income you had in 2013. This would reduce your taxable income to $5,000 and you would receive a tax refund for the amount of overpayment.

Then you can file an amended 2014 return and carryback $25,000 of the 2018 NOL to offset the $25,000 of income in 2014. This would reduce your taxable income to $0 and you would receive a refund of all the taxes you paid in 2014. And you would still have $30,000 of NOL from 2019 that you could carry back to 2015 and 2016. (You cannot carry 2019 back to 2013 because that is longer than 5 years.)

If you prefer not to carry back these losses, you must affirmatively elect to forego the carryback period. The election for 2018 and or 2019 must be made by the due date of your 2020 tax return. The election for your 2020 return must be made by the due date for that return in 2021.

We would recommend this as one of the first options that you look at it – it is a quick and easy way to recoup some cash.

Did the Act change the excess business losses that could be deducted on an individual income tax return?
Yes, for 2018, 2019, and 2020 the excess business loss limitation has been suspended. Taxpayers do not have the option of suspending or not, so you will either have to amend your 2018 return and possibly your 2019 if you have already filed, to claim a higher loss or you will forego the loss carryforward.

We would recommend this as one of the first options that you look at it – it is a quick and easy way to recoup some cash.

While I am amending prior years returns anything else I need to change?
Yes, if you were subject to the 30% limitation deduction of business interest. If you have already filed your calendar year 2019 returns you will need to file an amended return. The Cares Act modified the limitation to generally allow business interest expense deductions of up to 50% of adjusted taxable income for tax years beginning in 2019 and 2020. Also partners in partnerships are now able to treat 50% of the 2019 excess business interest as a 2020 deduction that is not subject to the limits, with the balance subject to applicable limitations.

However, if you would prefer to continue with the 30% limitation, an election is available to do so.
They also fixed the drafting error in the Tax Cuts and Jobs Act which required Qualified Improvement Property to be 39-year property. Now Qualified Improvement Property is classified as 15-year property and is eligible for 100% bonus depreciation. The change is effective retroactively, so 2018 returns can be amended to take advantage of the shorter life.

And, finally Corporations can utilize any remaining alternative minimum tax credit carryovers, in full, in the first taxable year beginning after 2018.

Again, we would recommend this as one of the first options that you look at it – it is a quick and easy way to recoup some cash.

I'm trying to keep my employees working and keep my business going is there any help for me?
YES! There are several provisions that can help:

- The Employee Retention Credit
- Paycheck Protection Program (PPP) Loans
- Small Business Debt Relief Program
- Economic Injury Disaster Loans & Emergency Economic Injury Grants

Great - What is the Employee Retention Credit?
It is a refundable payroll tax credit for 50% of the wages you paid to your employees during the COVID-19 crisis. If you had to fully or partially suspend operations because of an order by the government or your gross receipts declined by more than 50%, compared to the same quarter in the prior year or you are a non-profit 501(c) organization. The credit is based on qualified wages paid to the employees and the cost of health insurance paid by the Employer on behalf of each employee.

Business with over 100 full-time employees, qualified wages are wages paid to employees when they are not working because of COVID-19. Businesses with less than 100 full-time employees ALL employee wages qualify for the credit, doesn't matter if the business was open or closed because of a shut-down order.
Each quarter you may take a credit of 50% of wages paid to each employee as described above (capped at $5,000 per employee for the period March 13, 2020 through December 31, 2020.

To calculate the credit, you will take the wages paid to qualified employees during the quarter multiplied by 50% and add the allocable percentage of health insurance premiums the employer paid on behalf of the employee for that quarter. Any payments made to employees under the Families First Expanded FMLA or Emergency Sick Leave are not considered wages for this credit.

You will be "paid" for these credits by getting to keep the employment taxes (federal withholding, FICA, Medicare tax) that you normally have to send to the IRS after every payroll. If the credit is more than you owe you will be able to request a refund. *Once instructions for requesting the refund are available we will post them here.*

You are not eligible for this credit if you take a Paycheck Protection Program (PPP) Loan. If you do take this credit and in a subsequent quarter you do receive a PPP Loan you will have to pay this credit back.

OK so what is a Paycheck Protection Program Loan?
A PPP Loan is a 100% federally guaranteed SBA loan to employers. The loan is forgivable if you restore your workforce to the same level it was as of February 15, 2020 (no more than a 10% reduction) before December 31, 2020. However, if you have employees that turn down you offer to come back to work at the same hours and wages as before the pandemic, you can exclude them from the calculation. Also, you may still be able to receive full loan forgiveness even if you don't fully restore your workforce, if you are able to document that you are unable to restore your workforce because:

1. You are unable to find qualified employees
2. You are unable to restore business operations to the same level as you were on February 15, 2020 due to COVID-19 related operating restrictions.

To qualify you must have been in operation on February 15, 2020, harmed by COVID-19 between February 15, 2020 and June 30, 2020 and meet one of the descriptions below:

- A business concern that employs less than 500 employees per physical location that is assigned a NAICS code beginning with 72.
- Individual who operates a sole proprietorship.
- Independent contractor or self-employed individuals.
- A 501(c)(3) nonprofit organization, a 501(c)(19) veterans organization or a Tribal business concern that has less than 500 employees (or the applicable size standard in number of employees for the NAICS industry as provided by SBA), if higher.
- Affiliation rules are waived for any businesses in the hospitality and restaurant industries, for franchises that are on the SBA's Franchise Director, and any small business that receives financing through the Small Business Investment Company (SBIC) Program.

There are no fees associated with the loan, the maximum term is 5 years and the maximum interest is 1%. You will be eligible for payment deferral of at least six months and could be as long as one year. This program is retroactive to February 15, 2020, in order to help bring workers who may have already been laid off back onto payrolls. Loans are only available through June 30, 2020.

If you have already received a PPP loan you can extend your loan for up to 5 years if your lender agrees, and the rate will stay at 1%.

To obtain the loan you will have to make a good faith certification that "the loan is necessary due to the uncertainty of current economic conditions caused by COVID-19; and that you will use the funds to retain workers and maintain payroll, lease and utility payments; and you are not receiving duplicative funds for the same uses from another SBA program."

Even if you meet the requirements above you will be considered ineligible if you meet any of the following:

- You are engaged in any activity that is illegal under federal, state, or local law.
- You ae a household employer (individuals who employ household employees such as nannies or housekeepers)
- You or any of the owners of the business that own 20% or more of the business are incarcerated, on probation, on parole; presently subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction; or if they have been convicted of a felony within the last five years.

- You, or any business owned or controlled by you or any of your owners, have ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is currently delinquent or has defaulted within the last seven years and caused a loss to the government.

How much loan can I get under the PPP?
The max is $10 million.

- If you were in business February 15, 2019 – June 30, 2019 your max is equal to 250% of your average monthly payroll cost during that time. If your business employs seasonal workers, you can opt to choose March 1, 2019 as your time period start date.
- If you were NOT in business February 15, 2019 – June 30, 2019 your max is equal to 250% of your average monthly payroll costs between January 1, 2020 and February 29, 2020.

If you received an Economic Injury Disaster Loan (EILD) between January 31, 2020 and April 3,2020 to pay payroll, you **must** refinance that loan into your PPP loan. You will be able to take out the additional amount up to 250% of your payroll cost noted above. If you took out the EIDL between February 15, 2020 and June 30, 2020 due to COVID-19 and received the emergency grant award, the amount of grant award you received will be subtracted from the amount forgiven under the PPP.

To arrive at your monthly payroll cost you will include gross wages paid to all employees, including commission, tips, paid leave etc. Employer's share of health insurance paid for employees. Payments made for any retirement benefits for employees i.e. 401k contributions, SEP IRA contributions etc. Payment of State Unemployment Tax and SUTA assessed on your employees' wages. You would not include any wages paid to any employee whose principal place of residence is outside of the US. If you have employees who make over $100,000 a year you will also need to deduct the monthly portion of their salary equal to the amount they make over $100,000. (Basically for the period noted above you will only be able to include $37,500.00 of their salary.)

Loans can only be used to pay salaries, paid sick or medical leave, health insurance premiums, interest on any mortgage obligation, rent, utilities and interest on any other debt obligations that were incurred before February 15, 2020. If you have employees who make over $100,000 a year, you cannot use the loan to pay the portion of their salary that is over $100,000. You also cannot use it to pay wages to any employee whose principal place of residence is outside of the US or to pay any wages paid under the Families First Emergency Sick Pay or the Families First Expanded FMLA.

Did I understand that this loan is forgivable?
Yes.
The loan is forgivable if you restore your workforce to the same level it was as of February 15, 2020 (no more than a 10% reduction) before December 31, 2020. However, if you have employees that turn down you offer to come back to work at the same hours and wages as before the pandemic, you can exclude them from the calculation. Also, you may still be able to receive full loan forgiveness even if you don't fully restore your workforce, if you are able to document that you are unable to restore your workforce because:

1. You are unable to find qualified employees
2. You are unable to restore business operations to the same level as you were on February 15, 2020 due to COVID-19 related operating restrictions.

The amount forgiven includes the amounts paid during the first 24 weeks (if you already have a loan you can choose to stay with the 8 week covered period) beginning on the date of the loan origination and ending no later than December 31, 2020.

- Gross wages paid to all employees, including commission, tips, paid leave etc. You would not include any wages paid to any employee whose principal place of residence is outside of the US or any wages paid to employees under the Families First Emergency Sick Pay or the Families First Expanded FMLA. If you have employees who make over $100,000 a year you will also need to deduct the monthly portion of their salary equal to the amount they make over $100,000. (Basically for the 8 weeks you will only be able to include $15,385 of their salary.)
- Employer's share of health insurance paid for employees.
- Payments made for any retirement benefits for employees i.e. 401k contributions, SEP IRA contributions etc.
- Payment of State Unemployment Tax or SUTA assessed on your employees' wages.
- Interest paid on Mortgages.
- Rent and Utilities.

To quality for loan forgiveness 60% of your PPP Loan must be used for Payroll related expenses, the other 40% may be used for Interest, Rent and Utilities.

When you enter this 24-week period remember to pick up expenses that you have incurred each day which you may or may not actually written a check for during that time. For example, you may only make your mortgage payment quarterly and that date may not fall in your 24-week covered period. However, you are incurring interest expense during that covered period so don't forget to calculate the amount of that interest.

Also, be consistent when calculating your forgivable amount – if you are going to use the accrual basis then use the accrual basis for everything that you are requesting forgiveness. If you're going to use the cash basis, then again use the cash basis for everything – you may want to calculate it both ways and see which is more advantageous for you.

What if the amount of forgiveness does not cover the entire amount of my loan?
Any loan amount not forgiven are carried forward with a maturity of 5 years and an interest rate of 1%. Principal and interest payments will be deferred for a total of 6 months after disbursement of the loan.

What happens if I can't keep everyone on my payroll, do I still get some of my loan forgiven?
Yes - And it will be reduced proportionally by any reduction in employees retained compared to the prior year. It will also be reduced if you have reduced the pay of any of your employee beyond 25% of their prior year compensation.

Can I have more than one PPP loan and where do I go to apply?
Sorry, you can only have one. Apply at https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Application-3-30-2020-v3.pdf The Treasury has announced that small businesses and sole proprietorships can start applying this Friday the April 3rd. Starting April 10th independent contractors and self-employed individual can apply.

What about the Small Business Debt Relief Program, how will that help me?
If you have a SBA 7(a) loan, 504 loan or a microloan, the SBA will pay the principal, interest, and any associated fees that are owed on the covered loans for a six-month period starting on the next payment due. If your loan is already on deferment you will receive six months of payments beginning with the first payment after your deferral period ends.

> NOTE: The Act also strongly encourages lenders to provide deferments and for the next year to extend the maturity of SBA loan in deferment beyond the statutory limits that were in place before the Pandemic.

If you apply and receive any of these types of loans within the next six months you will also receive a full 6 months of loan payments made by the SBA. See SBA.gov for information on where and how to apply for a non-disaster SBA 7(a) loan, 504 loan or Microloan.

PPP loans are not eligible for this program.

How are Economic Injury Disaster Loans (EIDL) and Emergency Economic Injury Grants different from these other loan options?
EDILs are lower interest loans of up to $2 million to pay for expenses that could have been met had the disaster not occurred, including payroll and other operating expenses. Principal and interest may be deferred at SBA's discretion. Sole proprietorships, with or without employees, independent contractors, cooperatives and employee owned businesses and Tribal small businesses with less than 500 employees are eligible for these loans. And Non-profits of any size also qualify.

- If you apply for an EIDL and you have been in operation since January 31, 2020 you are eligible for an Emergency Economic Injury Grant. The way the grant works is when you apply for the EIDL you can request an advance on the loan of not more than $10,000 – which the SBA must distribute within 3 days. You will not be required to repay the advance even if you are denied the loan. You must use this grant for providing paid sick leave to employees (other than Emergency Sick Leave under the Families First Act), maintaining payroll, meeting increased costs to obtain materials, making rent or mortgage payments and repaying obligations that cannot be met due to revenue losses.
- The amount of the grant will be limited to $1,000 per employee up to a total of $10,000.
- This provision of the Act is retroactive to January 31, 2020 – so if you have already applied you are eligible to receive the grant – contact your SBA lender to request the grant.
- You can have an EIDL and a PPP Loan at the same time HOWEVER you cannot use the proceeds from the two loans for the same thing. If you received a EIDL loan to pay payroll between January 31, 2020 and April 3, 2020 you will be required to refinance the EIDL into your PPP Loan.

My head is spinning! How am I ever going to keep all this straight?
SBA has provided the following organizations with substantial funding to help small businesses during this time of crisis. Counseling is free and the training they provide if very lost cost. Visit www.sba.gov/local-assistance/find/ to find your local Small Business Development Center (SBDC), Women's Business Center (WBC), SCORE mentorship chapter or the Minority Business Development Agency's Business Centers (MBDCs).

We have rental properties and my tenants are not paying and I can't make my mortgage payment can I kick them out and get paying renter's?
First, if you have a federally backed mortgage and you are experiencing a financial hardship, you can ask for a forbearance if you were current on your payments as of February 1, 2020. Contact the company that services your loan and request a forbearance. Once you provide documentation of your financial hardship they will provide a forbearance for up to 30 days AND it can be extended for up to 2 additional 30 day periods upon request. (as long as you request it 15 days before the current forbearance expires)

About us:
Communities Unlimited, Inc. is a 501(c)3 nonprofit corporation founded in 1976 that ignites hope by bridging racial, economical, and geographical boundaries in Southern communities emerging from generations of persistent poverty to build healthy businesses, healthy communities, healthy food systems, healthy bank accounts and healthy lives.

We serve seven states in the southern United States, an area where the majority of communities are rural, there is a high minority population, high poverty and food insecurity.

Communities Unlimited also is the southern partner of the national RCAP organization, together serving rural community infrastructure and facility needs.

As a Community Development Financial Institution (CDFI), we are able to leverage capital to meet needs in combination with one-on-one technical assistance. CU has made over $45 million in loans to small rural communities and small businesses in 24 states.