THESE FAQ's HAVE BEEN UPDATED AS OF 1/9/2021 FOR THE CONSOLIDATED APPROPRIATIONS ACT, 2021

CARES ACT FOR Individuals with self-employment income (such as an independent contractor or a sole proprietor):

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

No.

The Act pays 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.

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 70% of the wages you paid to your employees FROM January 1, 2021 – June 30, 2021. If you had to fully or partially suspend operations because of an order by the government or your gross receipts declined by more than 20%, compared to the same quarter in the calendar year 2019 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.

Businesses with 500 or less 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 70% of wages paid to each employee as described above (capped at $14,000 per employee for the period January 1, 2021 through June 30, 2021.

To calculate the credit, you will take the wages paid to qualified employees during the quarter multiplied by 70% 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.

EFFECTIVE 1/1/2021 You ARE eligible for this credit if you take a Paycheck Protection Program (PPP) Loan. You may participate in both programs.

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 March 31, 2021. 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 March 31, 2021 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 term is 5 years and the 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 March 31, 2021.

If you have already received a PPP loan you can extended 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 $2 million.

- If you do not have any employees, you will divide line 31 from your 2019 or 2020 Form 1040 Schedule C by 12 and then multiply by 2.5. If line 31 is over $100,000 reduce it to $100,000. If line 31 is zero or less, you are not eligible for a PPP loan.

- If you do have employees, you will add the following, once you have a total divide the total by 12 and multiply by 2.5.

  - Gross wages (including commission, tips, paid leave etc.) paid during 2019 or 2020 to all employees. Do not include wages paid to employees whose primary place of residence is outside the United States. Also deduct the excess over $100,000 paid to any one employee.

  - Line 31 from Form 1040 Schedule C for the applicable year.

  - State Unemployment Tax or SUTA tax paid during the applicable year.

- Amount you paid for Employees retirement benefits for the applicable year – do not include any amounts paid to owner's retirement.
- Amount you paid for Employees benefit plans (including health, dental, vision, life and disability.) for applicable year – do not include any amounts paid for owner's health insurance.

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.

Loans can be used to pay salaries, paid sick or medical leave, employee benefit premiums, interest on any mortgage obligation, rent, utilities and interest on any other debt obligations that were incurred before February 15, 2020. The Consolidated Appropriations Act of 2021 expanded the list of expenses that PPP funds can be used for to include:

- Operation expenses such as business software, cloud computing, Human Resources and Accounting needs that facilitate business operations.
- Supplier costs defined as payments to a supplier for goods that are essential to the operations of the borrower pursuant to a contract or purchase order in effect before the PPP loan is disbursed or with respect to perishable goods, in effect at any time.
- Worker protection expenses defined as operating or capital expenditures to comply with public health guidance related to COVID-19.
- Covered property damage costs defined as costs related to property damage or looting due to public disturbances in 2020 that are not covered by insurance or other compensation.

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.

- If you do not have any employees the amount forgivable is equal to Line 31 from your 2019 Form 1040 Schedule C divided by 52 then multiplied by 8.

- If you have employees AND you restore your workforce to the same level it was as of February 15, 2020 (no more than a 10% reduction) before March 31, 2021. 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.

If your loan is $150,000 or less the entire amount of your loan will be forgiven. You will only need to submit a certification which provides a description of the number of employees you were able to retain because of the PPP loan and the estimated amount of the loan spent on payroll costs.

If your loan is more than $150,000 you will need to establish a loan forgiveness covered period. The "loan forgiveness covered period" is the period beginning on the date the lender disburses the PPP loan and ending on any date selected by the borrower that occurs during the period beginning on the date that is 8 weeks after the date of disbursement and ending on the date that is twenty-four weeks after the date of disbursement. To have the most flexibility you might want to start your covered period the day the lender disburses your loan and have it end 24 weeks later.

- 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.
- (# of weeks in your covered period)/52 of your net income from your applicable Form 1040 Schedule C (line 31 on schedule C divided by 12 then multiply that number by the number of weeks in your covered period)
- Employer's share of benefit premiums (health, dental, life, disability and vision) paid for employees. Do not include any insurance paid for owners.
- Payments made for any retirement benefits for employees i.e. 401k contributions, SEP IRA contributions etc. Do not include any retirement benefits for owners
- Payment of State Unemployment Tax or SUTA assessed on your employees' wages.
- Interest paid on Mortgages.
- Rent and Utilities.
- Operation expenses such as business software, cloud computing, Human Resources and Accounting needs that facilitate business operations.
- Supplier costs defined as payments to a supplier for goods that are essential to the operations of the borrower pursuant to a contract or purchase order in effect before the PPP loan is disbursed or with respect to perishable goods, in effect at any time.
- Worker protection expenses defined as operating or capital expenditures to comply with public health guidance related to COVID-19.
- Covered property damage costs defined as costs related to property damage or looting due to public disturbances in 2020 that are not covered by insurance or other compensation.

To quality for loan forgiveness 60% of your PPP Loan must be used for Payroll related expenses, the other 40% may be used for non-payroll expenses.

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.

How do I account for the portion of the loan that was forgiven on my income taxes?

In the Consolidated Appropriations Act, 2021, the Fed's clarified that – "no amount shall be included in the gross income of the eligible recipient by reason of forgiveness of indebtedness AND no deduction shall be denied, no tax attributed shall be reduced, and no basis increase shall be denied, by reason of the exclusion from gross income provided" So what does this mean? You don't include the amount of the forgiveness on your income taxes, so the forgiven part of the loan is not income to you. You do still include the cost that you used to calculate the forgiveness (salaries etc.) as deductions on your income tax return.

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.

My business is established as a Partnership, can each of the Partners apply for a PPP Loan?
No
Partnerships and its partners (and an LLC filing taxes as a partnership) are limited to one PPP loan. As a partner in a partnership, you may not submit a separate PPP loan application for yourself as a self-employed individual.

Can I have more than one PPP loan?
Yes, The Consolidated Appropriations Act of 2021 has established the Second Draw PPP Loan program. See our related FAQ Consolidated Appropriations Act, 2021 for more information.

I already have a PPP loan it looks like under these new rules I would have been eligible for more money, is there any way I can increase my existing loan?
Yes, if you have not requested forgiveness. You may contact your lender to modify your loan amount based on the new rules.

I have already repaid some or all of my PPP loan can I reapply for the maximum amount?

Yes, if you have not requested forgiveness. Contact your lender to discuss your options.

What about the Small Business Debt Relief Program, how will that help me?

If you have a SBA Microloan, 7(a) Community Advantage loan, or a 7 (a) or 504 loan in a hard hit sector, the SBA will pay the principal, interest, and any associated fees that are owed on the covered loans for an eleven-month period starting on the next payment due. (capped at $9,000 per borrower per month.)

Hard hit sectors are defined as: educational services; arts, entertainment and recreation, food service and accommodation; support activities for mining, and oil and gas extraction, apparel manufacturing; clothing and clothing accessories stores; sporting goods, hobby, book and music stores; air transportation, transit and ground passenger transportation; scenic and sightseeing transportation, publishing industries; motion picture and sound recording; broadcasting; rental and leasing services; and personal and laundry services.

All other SBA borrowers with loans approved by SBA prior to the CARES Act will receive nine months of payments, capped at $9,000 per borrower per month.

New SBA loans made or approved between December 22, 2020 and September 30, 2021 will receive six months of government payments of principal and interest, capped at $9,000 per borrower per month.

If your loan is already on deferment you will receive eleven months of payments beginning with the first payment after your deferral period ends. 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.

PPP loans are not eligible for this program.

In the Consolidated Appropriations Act, 2021 the Feds have clarified that the payments the SBA make on your behalf are NOT income to you – you will not be required to show those payments on your tax return as income AND you can still deduct the amount of the interest the SBA paid for you on your tax return! Great benefit you didn’t pay the interest but you still get to show it as a deduction on your tax return

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 Consolidated Appropriations Act of 2021 clarified that the amount of the grant should not have been limited to $1,000 per employee. If you previously receive an Emergency Economic Injury Grant for less than the full $10,000 you should receive the difference between what you received and the $10,000. SBA is required to notify each entity that is eligible for the difference.
- 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.
- The Emergency Economic Injury Grant are NOT taxable income to the borrower and the expenses that you paid for with the grant are deductible as ordinary business expenses.

I'm a health care provider and I would like to voluntary to help but I'm scared of the liability?
The CARES Act provides protection to workers providing "health care services" in the public health sector, by extending a limitation on liability for volunteer health care professionals. The Act states "A volunteer health care provider shall not be liable for harm caused by his/her act or omission while providing health care services during the public health emergency relating to the COVID-19 pandemic."
The health care provider must provide his/her services in response to the present COVID-19 public health emergency and they must provide services in good faith that the patient is in need of services, they must provide their services as a volunteer and the services provided must occur within the scope of the provider's license or certification.
While you cannot be paid for your services you can be reimbursed for travel expenses IF you are providing services more than 75 miles from your residence.

I can't pay my house payment because I've lost my job can the bank foreclose and kick me out?
If your house loan is a federal backed mortgage loan, then you can request "forbearance". You will need to submit the request to the company that services your loan and you will need to affirming that you are experiencing a financial hardship during the COVID-19 emergency. Once you request the forbearance it will be granted for up to 180 days AND it can be extended for another 180 days if you request it. During the period of forbearance, no fees, penalties or interest beyond what would have been charged as if you had made the payments shall accrue on your account.

I have some 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.