

What Business Owners Want to Know About the CARES Act

The Coronavirus Aid, Relief and Economic Security Act (CARES Act) was signed into law on March 27, 2020. This is the third piece of legislation passed in the last few weeks intended to address some of the economic hardships brought on by the Coronavirus health emergency.

If you are the owner of a closely held business, with or without employees, you are likely facing financial and work challenges that were unimaginable just a few months ago. Ultimately coming together in a bipartisan manner, Congress has crafted a historically large emergency relief package with significant provisions designed to help business owners and their employees.

There are dozens of provisions in this new law. We have selected just a few to highlight and to provide you with information so that you may explore these opportunities in detail with your financial, tax and legal advisors.

Employee Retention Credit

Eligible employers may receive a payroll tax credit for 50% of wages paid to employees during the Coronavirus health emergency. There are many qualifying rules and certain limitations including:

- You must be an eligible employer. You must have carried on a trade or business during 2020 and satisfy one of two tests.
 - Your operations were fully or partially closed down or suspended, or
 - Gross receipts decreased by more than 50% when compared to the same quarter in the prior year.
- Applies to payroll after 3/12/2020 and before 1/1/21.
- Limited to \$10,000 per employee, per quarter (includes health benefits).

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Loan forgiveness is built into this program. The amount forgiven may be equal to the amount spent by the borrower during an 8 week period after the origination of the loan on amounts used for payroll, mortgage interest, rent and utilities.

See the following for additional FAQs on this provision: [Paycheck-Protection-Program-FAQs-for-Small-Businesses-FINAL.pdf](#)

Payroll Tax Deferral

You may defer payment of the 6.2% payroll tax (Social Security Tax) paid by both employers and self-employed individuals. You may pay ½ the amount by 12/31/2021 and the other ½ by 12/31/2022. This provision will not apply to employers with small business loan debt forgiveness.

Short Time Compensation Program

Where an employer reduces employees' hours rather than laying the employees off, the employees may receive prorated unemployment benefits. This provision provides 100% of the costs incurred by the state in providing the so called short time compensation thru 12/31/20.

Short time compensation programs must be approved by the state. Generally, the employer may reduce the number of hours worked by more than 10% and no more than 60%.

It is important to check with your state to see if they have adopted these special unemployment compensation provisions and that you meet any requirements set by the state.

Commentary:

The goal for many of these provisions is to help create cash flow and some degree of financial certainty for the owners of closely held businesses and their employees. The direct impact of the Coronavirus epidemic puts many small businesses in danger. These loans, credits, deferrals and other provisions may help create cash flow relief.

Be sure to work in collaboration with your financial, tax, legal and accounting advisors. These provisions are complex, interact (in some cases you can do one but not the other) and all are time sensitive.