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CARES ACT Provisions

With the passing and signing of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) on Friday, March 27, 2020, there is an abundance of information to interpret & share with our clients.

Some of the highlights of the CARES Act (please see our other news posts for more specific information):

- **Taxpayer Stimulus Payments** – Based on your 2018 income tax return unless 2019 has already been filed. The timing of payments is subject to the ability of the Internal Revenue Service to process them, and taxpayers should expect three or more weeks at the least to see these payments arrive in your mailbox or bank account if you typically have your refund sent to you via direct deposit.
- **Penalty-Free Retirement Distributions** – For the calendar year 2020, all distributions that are deemed “coronavirus related” will be exempt from the 10% premature distribution penalty for taxpayers under 59 ½ years of age.
- **Temporary Waiver of Required Minimum Distributions** – For taxpayers 72 years of age or older, you are not required to take a distribution for the calendar year of 2020.
- **Expansion of Unemployment Benefits** - Benefits have been increased by \$600 per week through the end of July 2020. This expansion also removes restrictions from applying for and receiving unemployment benefits.
- **Employee Retention Credit** – New employer’s refundable payroll tax credit for 50% of wages paid available to qualifying businesses.
- **Delay of payment of Employment Taxes** – Employers can defer payment of the employers share of Social Security (6.2% of wages) for up to two years (does not include the employee’s portion withheld from their paycheck). Half would be paid during 2021 and the second half during 2022. This deferral **IS NOT** available to employers that received forgiven payroll tax loans through the CARES Act.
- **Bonus Depreciation Correction** – Provision that allows for 100% of qualified improvement property to be deductible in the year it was incurred.

SBA Loan Provisions

There are two new SBA loan provisions, one of which was announced prior to the CARES Act, and one that was included within the act.

Paycheck Protection Program

As part of the CARES Act, this program is intended to fund payroll for employers. It is capped at 250% of the average monthly payroll costs with an interest rate cap of 4%. Loans are available for up to \$10 Million.

This loan can be applied for through the bank that you currently do business with. The application process is NOT going to be administered by the SBA, just backed by them upon approval. If your bank is not an SBA approved lender, they will get you in contact with those that will assist you in the process. Please contact your business bank directly for more information.

Loan applications are not available yet, but are expected to be by April 3, 2020. Be prepared with 1 year of rolling financial statements (March 2019 to February 2020) for your business to prove your monthly payroll costs. along with 12 months of payroll records for the lender. The loan proceeds from the program will be forgiven to the extent that they are used for funding payroll for up to eight weeks of covered expenses, and the SBA will repay the lender with interest. Any portion of this loan NOT used for payroll will be set up with a repayment term of up to 10 years and will remain being 100% guaranteed by the SBA.

There are no personal guarantees or liens that accompany this product. This product IS NOT AVAILABLE to those who have applied for an Economic Injury Disaster Loan and have included payroll for the same 8-week period intended for the PPP Loan.

The deadline for applying for a PPP loan is June 30, 2020. However, we would not advise waiting to apply as it is widely considered probable that funds will run out on this program far before that deadline.

Economic Injury Disaster Loans

These are low interest loans of up to \$2 Million dollars and may be used for payroll and other operating costs incurred that would have been met had it not been for the COVID-19 Pandemic. These loans will carry an interest rate below 4% and will be offered at a term up to 30 years for repayment. Companies with 500 or fewer employees, sole proprietors, independent contractors, and tribal small businesses are eligible for loans under this program.

The only exempt expenses would be payroll and related expense that are covered under a PPP program loan during the period that the PPP Loan was intended to cover.

To apply, please visit <https://disasterloan.sba.gov/ela/> to begin the application process. It is possible in the coming days that a more simplified application process may be initiated, however that is not completely known as of now.

We wish you all good luck and stay safe at 6ft.

The GoldStar Business Brokers Team

Please don't hesitate to reach out to any of us for answers, referrals, or support!

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