



Business Survival Guide

CARES Act and other provisions for
the COVID-19 Outbreak



CA&TS

CAROLINA ACCOUNTING
& TAX SOLUTIONS

DISCLAIMER

Details, qualifications, and restrictions are abundant. All possible nooks and crannies could not be listed in this publication so consult with Carolina Accounting & Tax Solutions regarding your specific situation before making decisions. All information contained here is provided on a best effort basis and without warranty.

We are facing uncertain times...

COVID-19 is forcing all businesses to adjust in a multitude of ways. Many business owners are rightfully concerned what this means for their companies as they navigate this unprecedented period.

Our mission is to help you thrive. Consider the provisions listed below to protect your business, employees, and financial future. Please share this information with those you care about.

Carolina Accounting & Tax Solutions is open and operating remotely. Our office is open as an Essential Business under NC Executive Order 118 (the stay-at-home order.) Our full staff is working remotely, and you may reach us via email or by dialing our main office phone line 919-789-8000 and entering the individual's extension listed below.

To send documents to us you have several options:

- The MOST SECURE and preferred method is to upload the documents to your **client portal** at either www.carolinaats.com or www.c-accountingsolutions.com websites. If you need assistance accessing your portal, please email Admin@CarolinaATS.com and Matthew will assist you.
- You may send documents to us via **Regular Mail or express carrier**: 4002 Barrett Drive, Suite 202, Raleigh NC 27609
- **Fax** your documents to 919-789-8002
- **Drop off** at the Raleigh office; we have a collection bin inside our foyer during normal hours M-F, 9 a.m. to 5 p.m.

You can weather this storm. We can help. We are in this together.

Your Carolina Accounting & Tax Solutions Team

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Here are the changes you should be aware of: Click to navigate to each section.

1. **Loans** and Loan Forgiveness
2. Traditional SBA **Loan Forgiveness**
3. Employee Retention **Credit**
4. Payroll **tax deferral**
5. Qualified **Improvement property**
6. Net **Operating Loss**
7. **Student Loan** payment reimbursement
8. Employee **paid leave**
9. **Unemployment** Insurance
10. State Tax Filing and Payment **Deadlines**



1. Loans, Loans, Loans

While we normally like to operate our businesses based on its own cash flow, desperate times call for desperate measures. Congress has deputized the SBA and your local banker to deliver its support in two new ways. **Note:** *Companies may be eligible for both loan programs, however they are unable to get both for the same costs. Further PPP loans may be delayed if an EIDL application is pending. We recommend waiting to apply for an EIDL until after PPP has been completed.*

The features and benefits of each are:

Economic Injury Disaster Loan (EIDL)

- Proceeds may be used to provide relief from economic injury caused by the disaster and permits you to maintain reasonable working capital.
- May receive up to \$2 million based on company's actual injury as determined by the SBA.
- 3.75 interest rate with a 30-year term for small businesses
- A \$10,000 grant (does not have to be repaid) may be requested and paid within 3 days. Re-apply online if you applied earlier and didn't get this.
- Up to \$200,000 does not require a personal guarantee.
- Loans over \$25,000 may require collateral and a determination the applicant has the ability to repay the loan.
- Apply directly through the SBA at <https://www.sba.gov/funding-programs/disaster-assistance>

Payroll Protection Program Loan (PPP)

- Proceeds may be used to cover costs of payroll, health benefits, mortgage interest, rent, utilities, debt interest.
- May receive up to \$10 million or 2.5x average monthly payroll costs (limits apply).
- 10-year term and 4% interest rate.
- No payments for the first 6-12 months
- No personal guarantee, No collateral
- Loan forgiveness
 - Amounts must be spent within 8 weeks on 1) rent, 2) certain payroll costs, 3) mortgage interest, and 4) utilities.
 - Maximum is lowered by reductions in headcount and/or salary
 - Maximum will be reduced by \$10,000 EIDL grant
 - Debt relief will not be counted as income
- EIDL loans may be refinanced to a PPP loan
- Apply through local bank's SBA lending.



2. SBA Loan Forgiveness

Small businesses with *existing* or *new* (within 6 months of enactment) traditional SBA loans (such as 7(a)) will receive automatic payments on those loans for 6 months. Yep – this includes principal, interest, and fees. Check with your lender for confirmation.

3. Employee Retention Credit

Employers that aren't eligible or don't get PPP loan forgiveness, but who's business was fully or partially suspended due to government orders or those experiencing a significant decline (50% or more) in revenue may receive a credit equal to 50% of "qualified wages".

4. Payroll Tax Deferral

Employers

The 6.2% of Social Security incurred by employer taxes due from now through December 31, 2020 are deferred. Half of the deferred amount are due Dec. 31st, 2021, with the remainder due on Dec. 31st, 2022.

Self-Employed

Not to be left out, self-employed individuals may defer half of the social security component of their self-employment taxes too.

Note 1: Many details and possible options of this election are not clear at this time. What is clear is that employee withholding and Medicare matching payments (1.45%) must still be remitted.

Note 2: Employers with loans forgiven are not eligible for this deferral.

5. Qualified Improvement Property

Congress intended that certain interior improvements be depreciated over 15 years and be eligible for bonus depreciation. However, an error in the wording of the legislation that prevented this treatment in 2018 and 2019 has been corrected.

Note: Restaurant owners and retailers who have been hit particularly hard by the pandemic have the opportunity to amend their 2018 and 2019 returns and claim the 100% Bonus Depreciation.



6. Net Operating Losses

Losses arising in 2018, 2019, and 2020 may be carried back five years and applied without income limitation. Recent tax law prevented losses from being applied to earlier tax years and applied an 80% income limitation.

Note: This allows losses to be carried back to years where tax rates were much higher.

7. Student Loan Payments

Employers may pay employee's student loan debt up to \$5,250 tax free.

Note: This is an expansion of the employer-sponsored education assistance plan. Several formalities exist and limited eligibility apply.

8. Employee Paid Leave—Families First Coronavirus Recovery Act (FFCRA)

FFCRA requires employers with fewer than 500 to provide paid sick leave for families affected by the virus through December 31st, 2020. Employers are required to post and/or deliver a notice to inform employees of their rights. See the Department of Labor FAQ on the Families First Coronavirus Recovery Act [here](#) and the notice [here](#). Consult your attorney or HR professional for guidance on your specific situation.

Other guidance on employment issues may be found [here](#).

9. Unemployment Insurance

Despite loans and tax credits, employers may be forced to make tough decisions about retaining and paying their team. NC DES has provided guidance on the claims filing process:

1. Employees must set up an account and file online; no in person claims are taken.
2. The one week waiting period has been waived; it may take up to 14 days to process claims.
3. Work search requirements are waived.
4. Employers account may be relieved of charges for claims filed as result of COVID-19.
5. Maximum NC benefit is \$352 per week but it is based on prior wages reported; federal supplement could add \$600 per week.

Employer Links to NC Division of Employment Security

- <https://des.nc.gov/need-help/covid-19-information/covid-19-information-employers>



Individual/Employee Links to NC Division of Employment Security

Eligibility for unemployment has expanded to the self-employed (including independent contractors). See our individuals guide for more information

- https://files.nc.gov/des/filing-for-unemployment-due-to-covid-19-tip-sheet_mar26.pdf
- <https://des.nc.gov/need-help/covid-19-information/covid-19-information-individuals>

10. State Tax Filing and Payment Deadlines

North Carolina

NC extended the filing deadline for all returns due 4/15 to 7/15/2020. Payment deadline is also extended to 7/15, however, interest will apply to any balances due that are NOT paid by 4/15/20.

<https://www.ncdor.gov/news/press-releases/2020/03/21/tax-filing-deadline-extended-july-15>

All other tax deadlines remain intact.

For any tax returns & payments due between 3/15 – 3/31/20, those can be paid by 4/15/20 to avoid penalties. <https://files.nc.gov/ncdor/documents/files/2020-3-17-Important-Notice-COVID.pdf>

Other States

Many states are adopting business friendly delays. For details on any specific state, the AICPA is maintaining a comprehensive list at <https://www.aicpa.org/content/dam/aicpa/advocacy/tax/downloadabledocuments/coronavirus-state-filing-relief.pdf>

