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Dear Clients, Friends and Associates:

The coronavirus pandemic has affected our lives and businesses adversely in so many ways, requiring all of us to make adjustments, curtail plans and pivot. Fortunately, our law firm, Gerstman Schwartz LLP, along with our lobbying arm, Gotham Government Relations & Communications, are uniquely qualified to navigate this difficult terrain and help ensure that your business remains viable.

As we are sure you have heard, Congress just passed an historic \$2 trillion deal to provide economic relief for Americans, businesses and the healthcare industry in response to the growing coronavirus pandemic. The legislation is called the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and contains a comprehensive aid package including direct payments to individuals, an expansion of unemployment insurance benefits, and billions of dollars in aid, low interest loans and grants to large and small businesses.

We have highlighted several areas of the CARES Act below that we believe our clients will find particularly helpful. Significantly, the CARES Act increases the maximum Small Business Administration's 7(a) loan amount to \$10 million and expands allowable uses of 7(a) loans to include payroll support (including paid sick or medical leave), employee salaries, mortgage payments, insurance premiums and any other debt obligations.

We have attached the text of the legislation for your reference. Contact us now if you want to understand how the CARES Act affects your particular business or if you need help dealing with other Washington or Albany matters.

SBA LOANS UNDER THE CARES ACT:

SBA 7(a) Relief Loans versus 7(b) SBA Economic Injury Disaster Loans ("EIDL"): It is important to note that this portion of the CARES Act is not the same as the 7(b) SBA economic injury disaster loan ("EIDL") loan program that is already available on the SBA website, nor may it be used for the same purpose. Interested borrowers must evaluate both programs and choose accordingly.

SBA 7(a) Relief Loans

Under the Cares Act, the SBA is authorized to guarantee up to \$349 billion in 7(a) loans to businesses with not more than 500 employees or the applicable size standard established by the SBA for the industry in which the business operates, if greater. The loan period for this program would begin on February 15, 2020, and end on December 31, 2020.

Eligibility: To qualify, the borrower (1) must have been operational on February 15, 2020; (2) had employees whom the business paid salaries and payroll taxes, or paid independent contractors; and (3) is substantially impacted by public health restrictions related to COVID-19. Eligible borrowers would be required to make good faith certification that they have been affected by COVID-19 and will use funds to retain workers and maintain payroll and other debt obligations. Unlike normal 7(a) requirements, there is no requirement to evaluate the borrowers' ability to repay the covered loan or that the borrower not be able to find credit elsewhere.

Loan Amount and Purpose: Eligible borrowers will be allowed to borrow up to the lesser of (i) \$10 million or (ii) the business's average total monthly payroll costs during the one-year period prior to the loan being made multiplied by 2.5. Payroll costs include salaries, wages, tips, payments for sick leave, insurance premiums and state and local taxes assessed on the compensation of employees, but does not include compensation of individual employees in excess of annual salary of \$100,000, as prorated for the relevant period. The loan proceeds may be used to cover payroll costs, mortgage, rent and utility payments, and interest on other debt obligations incurred prior to February 15, 2020.

Loan Forgiveness: Borrowers will be eligible to apply for **loan forgiveness** equal to the amount spent by the borrower during an 8-week period after the loan closing date on payroll costs, interest on mortgages, payments of rent, and utility payments, in each case that were in place before February 15, 2020. Principal payments of mortgage payments will not be eligible for forgiveness. The amount forgiven is reduced proportionally by any reduction in employees retained compared to the previous year and by the reduction in pay of any employee beyond 25 percent of the prior year's compensation; however, reductions in pay for employees who have an annualized salary of more than \$100,000 are not considered in this calculation.

Importantly, borrowers who re-hire workers previously laid off from February 15 through April 1, 2020 shall not have those numbers counted against them during such period for loan forgiveness purposes, so long as they are rehired by June 30, 2020. The amount forgiven would be reduced in proportion to any reduction in employees retained compared to the prior year and to the reduction in pay of any employee beyond 25% of the prior year's compensation. Borrowers that rehire workers previously laid off will not be penalized for having reduced payroll at the beginning of the period. Cancelled indebtedness shall not be included in the borrower's taxable income for this year.

Other Conditions: Other important conditions include (i) a waiver of collateral and personal guarantee requirements during the cover period; (ii) government guarantees to the lenders of 7(a) loans are to be increased to 100% through December 31, 2020. After that date, guarantee percentages would return to 75% for loans exceeding \$150,000 and 85% for loans equal to or

less than \$150,000; (iii) a complete deferment of 7(a) loan payments would be allowed for not more than one year; and (iv) both borrower and lender fees for 7(a) loans would be waived.

Emergency EIDL Grants

Small businesses and private nonprofits can obtain low-interest federal disaster loans of up to \$2,000,000 for working capital to meet their ordinary and necessary financial obligations that cannot be met as a direct result of the disaster. These loans are intended to assist through the disaster recovery period. The maximum interest rate under this program is 3.750 percent for small businesses and 2.750 percent for nonprofits.

Additionally, certain qualified businesses are entitled to a cash advance of up to \$10,000 to cover paid sick leave, maintaining payroll, meeting increased costs to obtain materials, making rent or mortgage payments, and repaying obligations that cannot be met due to revenue loss. Cash advances have a “forgiveness” feature applied to the full amount of the advance, even if subsequently denied an SBA 7(b) loan.

OTHER BUSINESS BENEFITS UNDER THE CARES ACT

Payroll Credits

Businesses will receive a tax credit for keeping idled workers on their payrolls during the coronavirus pandemic, so long as the businesses meet certain criteria. These businesses will receive a refund for half of what they spend on wages, up to \$5,000 per worker. To qualify, businesses have to prove they took a 50 percent loss compared to the same quarter in years past. It is important to note that employers won't be able to get special SBA loans if they opt for this tax credit.

Paid Sick and Family Leave Credits

The first COVID-19 response bill, the Families First Coronavirus Response Act, requires employers with less than 500 employees to provide 10 days of fully-paid sick leave and up to 50 days of partially-paid family leave for workers affected by coronavirus. Employers can reclaim any amount paid out in sick and family leave. In order to prevent small business from further depleting their cash flow, the CARES Act provides for preemptive refunding of paid sick and family leave credits.

INDIVIDUAL BENEFITS

Unemployment Benefits

People who are unemployed will receive an extra \$600 per week for up to four months (ending on July 30, 2020), on top of state unemployment benefits. Additionally, individuals who have exhausted a state's unemployment benefits may be eligible for Federal Pandemic Unemployment Compensation at the state's weekly unemployment rate. States will be reimbursed for 100 percent of these additional benefits, thus preventing any additional burdens on employers.

Lump Sum Payments

All U.S. residents with adjusted gross income up to \$75,000 (\$150,000 for married couples) will receive a \$1,200 (\$2,400 for couples) “rebate” payment. They are also eligible for an additional \$500 per child. The payments would start phasing out for earners above those income thresholds and would not go to single filers earning more than \$99,000; head-of-household filers with one child, more than \$146,500; and more than \$198,000 for joint filers with no children.

Use of Retirement Funds

Individuals can withdraw up to \$100,000 penalty-free from their retirement accounts through the end of 2020.