



GERBER KAWASAKI BREAKDOWN

CARES Act

What CARES Act Means To Your Business

The CARES Act of 2020 is a \$2 trillion dollar package to help support individuals, businesses, and industries impacted by the economic shutdown caused by the coronavirus. There are many moving parts to the largest economic stimulus package in history. Gerber Kawasaki is working tirelessly to digest the new information coming out and how our clients can benefit.

We know this has been a tough time for many of our clients, friends and family. If there is anyone important to you that you think can use this information, please share. As new information comes out, we will continue to keep you updated. We are here for you.

- Employee Retention Credit
- Delay of Payment of Employer Payroll Taxes
- Paycheck Protection Program
- Economic Injury Disaster Loans and Grants

Employee Retention Credit for Employers Subject to Closure

In an effort to help employers maintain employees, employers are eligible to receive a refundable quarterly payroll tax credit equal to 50% of qualified wages paid to an employee. The credit can be up to \$10,000 of qualified wages per employee. Excess credits are refundable.

Eligible employers include employers whose trade or business is fully or partially suspended during the calendar quarter due to orders from an appropriate governmental authority limiting commerce, travel, or group meetings due to COVID-19, or who have a 50% decrease in gross receipts for the same calendar quarter in the prior year. This credit does not apply to governmental employers.

Before letting employees go, you may want to wait and see how much you can receive from the ERC credit and if that can help you preserve some of your talent. As all business owners know, it's much harder and more expensive to find and train new employees than keeping your trusted employees.

This credit applies to wages paid after March 12, 2020 and before January 1, 2021.

<https://www.irs.gov/coronavirus>



Delay of Payment of Employer Payroll Taxes

Employers and self-employed taxpayers can delay payment of the employer portion of payroll taxes through the end of 2020. 50% of any payroll taxes deferred under this provision must be paid by December 31, 2021, with the remaining 50% paid by December 31, 2022.

The employer share of Social Security taxes is 6.2%. The employer share of the Medicare tax may not be similarly deferred. Employers should talk to their payroll companies to figure out how this will be administered.

<https://www.irs.gov/coronavirus>

Paycheck Protection Program

Paycheck Protection Program: The measure establishes a new [Paycheck Protection Program](#) to let small businesses, nonprofits, and individuals seek loans through the Small Business Administration's (SBA) 7(a) loan program. The measure authorizes \$349 billion in total 7(a) lending from February 15, 2020 through June 30, 2020.

Eligibility for Loan Assistance: Loans are available during the covered period for:

- Any business, nonprofit, veterans group, or tribal business with 500 or fewer employees, or a number set by the Small Business Administration (SBA) for the relevant industry.
- Sole proprietors, independent contractors, and eligible self-employed workers.
- Hotel and food service chains with 500 or fewer employees per location.

Where to Apply for a Loan: Lenders authorized to make loans under the [SBA's](#) current Business Loan Program are automatically approved to make and approve loans under this new program, and they may opt to participate in the program under the terms and conditions established by the Department of Treasury.

While we anticipate the Treasury Secretary extending such authority to additional private sector lenders, [Lender Match](#) on the Small Business Administration website is a free online referral tool that will connect you with already participating SBA-approved lenders.

Additional Info can be found here: [Paycheck Protection Program Info](#)



Paycheck Protection Program (Continued)

Terms for Loans: Eligible recipients can receive loans for as much as \$10 MILLION or 2.5X THEIR AVERAGE MONTHLY PAYROLL COSTS. The interest rate that will be charged during the covered period is .5% and the repayment period is up to 2 years.

Recipients can use the loans to cover eligible payroll costs, including salaries, commissions, regular paid leave, and healthcare benefits, as well as mortgage interest and utility payments. The recipient will need to make a “good faith certification” that they’ll use the funds to retain workers, maintain payroll, and pay for rent and similar expenses. Payroll costs specifically exclude compensation of an individual employee in excess of an annual salary of \$100,000, foreign employees, FICA and income tax withholdings.

Approved 7(a) lenders can issue covered loans if they determine that a business was operating with salaried employees or paid contractors as of February 15, 2020. The SBA would have to assume that eligible loan applicants in operation as of February 15 were adversely affected by COVID-19 and require lenders to let them defer payments for at least six months and as long as one year.

Loan Forgiveness: Recipients of SBA-guaranteed loans under the Paycheck Protection Program can apply for loan forgiveness equal to the amount spent during an eight-week period after the origination date of the loan on:

- Payroll costs;
- Interest payment on any mortgage incurred before Feb. 15, 2020;
- Rent on any lease in-force before Feb. 15, 2020; and
- Utilities for which service began before Feb. 15, 2020.
- Group health insurance premiums and other healthcare costs

For the amount to be forgiven, you must maintain the same number of employees from February 15, 2020 through June 30, 2020 as you did during the same period in 2019 or from January 1, 2020 until February 15, 2020. If you do not, the forgiven amount may be reduced. Payments on the loans can also be deferred for a period of no less than 6 months and no more than 12 months.



Economic Injury Disaster Loans and Grants

Economic Injury Disaster Loans (EIDLs) are low interest loans of up to \$2 million, with principal and interest deferment at the administration's discretion, that are available to pay for expenses that could have been met had the disaster not occurred.

Eligible businesses are those with 500 or fewer employees who were in operation before January 30, 2020:

- Sole proprietorships, with or without employees
- Independent contractors
- Cooperatives and employee owned businesses
- Tribal small business

In addition to the standard loans, these loans can provide an emergency advance of up to \$10,000 to small business and private non-profits harmed by COVID-19 within three days of applying for an SBA Economic Injury Disaster Loan. To access the advance, you first apply for an EIDL and then request the advance. **The advance does not need to be repaid under any circumstance**, and may be used to keep employees on payroll, to pay for sick leave, meet increased production costs due to supply chain disruptions, or pay business obligations, including debts, rent and mortgage payments.

Additional Info can be found here: [Economic Injury Disaster Loans](#)
Loan application link and instructions: [Economic Injury Disaster Loan Assistance](#)

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