



Michael Best
Strategies

COVID-19 Relief Opportunities for Bowling Proprietors*

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April 2, 2020

*Information in this presentation is subject to change.

Agenda

1. **Welcome and Introductions**
2. Overview of COVID-19 Response From Federal Government
3. Lending
4. Taxation
5. Employment
6. Federal Guidance
7. State Guidance

Welcome and Introductions

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Overview of COVID-19 Response From Federal Government

Congress's three-phase response to the coronavirus crisis. Fourth Phase to Come!

Phase 1

Initial support and vaccine development

**Administration Actions and
H.R. 6074 — Coronavirus Preparedness and Response Supplemental Appropriations Act**

- \$8.3 billion in COVID-19 response funding for developing a vaccine and preventing further spread of the virus
- Became law on 3/6/20

Phase 2

Paid leave, unemployment and food assistance

**Administration Actions and
H.R. 6201 — Families First Coronavirus Response Act**

- \$100 billion in worker assistance, including emergency paid sick leave, food assistance, and unemployment payments
- Became law on 3/18/20

Phase 3

Major economic stimulus package

H.R. 748 Stimulus package – CARES Act

- Major stimulus package (~\$2 trillion)
- Loans and support to major industries, including airlines and small businesses
- Direct payments to individuals and families
- Became law on 3/27/20

Phase 4

Recovery Package

- Focus on technical fixes from CARES Act.
- Critical Infrastructure.
- Industries left out of previous relief packages.
- Congress to address Phase 4 late April.
- Passage likely to depend on status of COVID-19 and impacts from Phase 3

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Small Business Loans: Economic Injury Disaster Loan Program (EIDL)

- President Trump announced the administration's action to provide relief to small businesses impacted by COVID-19 through the EIDL Program. This is the first time viruses or pandemics have been included under disaster loans.
- **Eligibility**
 - Small businesses and non-profits (including faith-based) with fewer than 500 employees, sole proprietors, independent contractors
- **Details**
 - Up to \$2 million working capital loan up to 30-year term
 - Used to pay fixed debts, payroll, accounts payable and other bills that can't be paid because of the disaster's impact
 - Interest rate of 3.75% (2.75% non-profits)





Small Business Loans: Economic Injury Disaster Loan Program (EIDL)

- **Flexibility and Waivers**

- Payments deferred up to 1 year.
- Waive any personal guarantee on advances and loans below \$200,000, the requirement that an applicant needs to have been in business for the 1-year period before the disaster, and the credit elsewhere requirement.
- No collateral for \$25,000 or less; general security interest instead of real-estate for larger loans.
- During the covered period, SBA can approve and offer EIDL loans based solely on an applicant's credit score, or use an alternative appropriate alternative method for determining applicant's ability to repay.

- **Loan to Grant Provision**

- Apply for a \$10,000 emergency grant within 3 days three days of a successful application.
- The grant does not have to repaid, even if you don't receive the disaster loan.
- The advance payment may be used for providing paid sick leave to employees, maintaining payroll, meeting increased costs to obtain materials, making rent or mortgage payments, and repaying obligations that cannot be met due to revenue losses.
- To access the advance, you first apply for an EIDL and then request the advance.

Small Business Loans: Economic Injury Disaster Loan Program (EIDL) (cont.)

- **Where to Apply**
 - Apply at SBA.gov: <https://covid19relief.sba.gov/#/>
- **Apply for Both! Disaster Loan and Paycheck Protection Program**
 - Whether you have already received an EIDL unrelated to COVID-19 or you receive a COVID-19 related EIDL and/or Emergency Grant between January 31, 2020 and June 30, 2020, you may also apply for a Payroll Protection Program loan.
 - However, you cannot use your EIDL for the same purpose as your PPP loan.
 - For example, if you use your EIDL to cover payroll for certain workers in April, you cannot use PPP for payroll for those same workers in April, although you could use it for payroll in March or for different workers in April.

Small Business Loans: Paycheck Protection Program (PPP)

- The PPP loan is a new 7a loan program set up under the CARES Act to address COVID-19. Up to \$349 billion has been authorized in forgivable loans to small businesses to pay their employees during the COVID-19 crisis. ***All loan terms will be the same for everyone.***
- **Eligibility**
 - Any business concern, 501(c)(3)s, self-employed, sole proprietors, and independent contractors who have fewer than 500 employees and are not subject to the SBA's affiliation rule.
 - Small businesses in the hospitality and food industry with more than one location could be eligible at the store and location level if the store employs less than 500 workers.
- **Details**
 - Loan amount is up to two months of your average monthly payroll costs from the last year plus an additional 25% of that amount, or for up to \$10 million, whichever is lesser of the two. If you are a seasonal or new business, you will use different applicable time periods for your calculation. Payroll costs will be capped at \$100,000 annualized for each employee.
 - Interest rate is fixed at 0.5%.
 - Loan is due in 2 years.

Small Business Loans: Paycheck Protection Program (PPP) (cont.)

- **Proceeds From These Loans Can Be Used For**

- Payroll costs, including benefits;
- Interest on mortgage obligations, incurred before February 15, 2020;
- Rent, under lease agreements in force before February 15, 2020; and
- Utilities, for which service began before February 15, 2020.

- **Payroll Costs Include**

- Salary, wages, commissions, or tips (capped at \$100,000 on an annualized basis for each employee);
- Employee benefits including costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit;
- State and local taxes assessed on compensation; and
- For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis for each employee.



Small Business Loans: Paycheck Protection Program (PPP) (cont.)

- **Proceeds From The Loans CANNOT Be Used For**
 - Employee/owner compensation over \$100,000.
 - Taxes imposed or withheld under chapters 21, 22, and 24 of the IRS code.
 - Compensation of employees whose principal place of residence is outside of the U.S.
 - Qualified sick and family leave for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act.
- **Flexibility and Waivers**
 - All payments are deferred for 6 months; however, interest will continue to accrue over this period.
 - No collateral required.
 - No personal guarantee required.
 - No Credit Elsewhere Test (SBA requirement that you try to obtain some or all of the loan funds from other sources).
 - No prepayment penalties or fees.

Small Business Loans: Paycheck Protection Program (PPP) (cont.)

- **Loan Forgiveness Provisions – 8 Weeks**
 - You will owe money when your loan is due if you use the loan amount for anything other than payroll costs, mortgage interest, rent, and utilities payments over the 8 weeks after getting the loan.
 - Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.
 - You will also owe money if you do not maintain your staff and payroll.
 - **Number of Staff**: Your loan forgiveness will be reduced if you decrease your full-time employee headcount.
 - **Level of Payroll**: Your loan forgiveness will also be reduced if you decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019.
 - **Re-Hiring**: You have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.





Small Business Loans: Paycheck Protection Program (PPP) (cont.)

- **When to Apply**

- Small businesses and sole proprietorships can apply starting April 3, 2020
- Independent contractors and self-employed individuals can apply starting April 10, 2020
- Program is open through June 30, 2020

- **Where to Apply**

- **Loan:** Check with you lender first!
 - Apply through any existing SBA lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Other regulated lenders will be available to make these loans once they are approved and enrolled in the program.
- **Loan Forgiveness:** Submit a request to the lender that is servicing the loan.
 - The request will include documents that verify the number of full-time equivalent employees and pay rates, as well as the payments on eligible mortgage, lease, and utility obligations. You must certify that the documents are true and that you used the forgiveness amount to keep employees and make eligible mortgage interest, rent, and utility payments. The lender must make a decision on the forgiveness within 60 days.

- **Documentation Required**

- Complete the PPP loan application and payroll documentation

ONB Control No.: 3245-0407
Expiration Date: 09/30/2020

**Paycheck Protection Program
Application Form**

<input type="checkbox"/> Non-Profit <input type="checkbox"/> Vet Org <input type="checkbox"/> Ind. Cont. <input type="checkbox"/> Self Employed <input type="checkbox"/>		DBA or Tradename if applicable	
Business Legal Name			
Business Primary Address		Business TIN (EIN, SSN)	Business Phone
		() -	
		Primary Contact	Email Address

Average Monthly Payroll:	\$	X 2.5 equals Loan Amount:	\$	Number of Jobs:	
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Purpose of the loan (select more than one): ☐ Payroll ☐ Rent / Mortgage Interest ☐ Utilities ☐ Other (explain):

Applicant Ownership

List all owners of Applicant with greater than 20% ownership stakes. Attach a separate sheet if necessary.

Owner Name	Title	Ownership %	TIN (EIN, SSN)	Address

If questions (1) or (2) below are answered "Yes," the loan will not be approved.

Question	Yes	No
1. Is the Business or any owner presently suspended, debarred, proposed for debarment, declared ineligible, voluntarily excluded from participation in this transaction by any Federal department or agency, or presently involved in any bankruptcy?	<input type="checkbox"/>	<input type="checkbox"/>
2. Has the Business, any of its owners, or any business owned or controlled by any of them, ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is currently delinquent or has defaulted in the last 7 years and caused a loss to the government?	<input type="checkbox"/>	<input type="checkbox"/>
3. Is the Business or any owner an owner of any other business or have common management with any other business? If yes, attach a listing of all Affiliates and describe the relationship as addendum A.	<input type="checkbox"/>	<input type="checkbox"/>
4. Has the Business received an SBA Economic Injury Disaster Loan between January 31, 2020 and April 3, 2020? If yes, provide details on a separate sheet identified as addendum B.	<input type="checkbox"/>	<input type="checkbox"/>

Applicants who are individuals and all 20% or greater owners of the business must answer the following questions. If questions (5) or (6) are answered "Yes" or question (7) is answered "No", the loan will not be approved.

Question	Yes	No
5. Are you presently subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction, or presently incarcerated, on probation or parole? <div style="text-align: right;">Initial here to confirm your response to question 5: →</div>	<input type="checkbox"/>	<input type="checkbox"/>
6. Within the last 7 years, for any felony or misdemeanor for a crime against a minor, have you: 1) been convicted; 2) pleaded guilty; 3) pleaded nolo contendere; 4) been placed on pretrial diversion; or 5) been placed on any form of parole or probation (including probation before judgment)? <div style="text-align: right;">Initial here to confirm your response to question 6: →</div>	<input type="checkbox"/>	<input type="checkbox"/>
7. <input type="checkbox"/> I am a U.S. Citizen. <u>OR</u> <input type="checkbox"/> I have Lawful Permanent Resident status <input type="checkbox"/> No <div style="text-align: right;">Initial here to confirm your response to question 7: →</div>		

Small Business Loans: Existing SBA 7(a), 504 and Microloan Programs

- **SBA Pays Principal, Interest and Fees on Existing Loans for 6 Months:**
 - SBA is required to pay the principal, interest, and any associated fees that are owed on the covered loans, which includes an existing 7(a) (including Community Advantage), 504 or microloan products, for a six month period starting on the next payment due.
 - Loans that are already on deferment will receive six months of payment by the SBA beginning with the first payment after the deferral period. Loans made up until six months after enactment will also receive a full 6 months of loan payments by the SBA.
 - SBA must make payments no later than 30 days after the date on which the first payment is due.
 - SBA is required to still make payments even if the loan was sold on the secondary market.
- **SBA Encourages Deferments:**
 - SBA is to encourage lenders to provide deferments and allows lenders, up until one year after enactment, to extend the maturity of SBA loans in deferment beyond existing statutory limits.

Mid-Size Business Loans: Over 500 Employees

- **Economic Stabilization and Assistance to Severely Distressed Sectors:** The Department of Treasury will be establishing a program for **businesses with between 500 and 10,000 employees** to receive direct loans with annualized interest rate not higher than 2% per annum. Such eligible businesses can include nonprofit organizations.
 - No principal or interest is due for the first six months after the direct loan is made.
 - Eligible business must make a good-faith certification that the recipient:
 - is making the loan request to support its ongoing operations;
 - will use the funds it receives to retain at least 90% of its workforce until September 30, 2020;
 - intends to restore not less than 90% of its workforce that existed as of February 1, 2020;
 - is organized in the United States, has significant operations in the United States, and a majority of its employees are based in the United States;
 - is not a debtor in a bankruptcy proceeding;
 - will not pay dividends or repurchase stock (or other equity securities);
 - will not outsource or offshore jobs during the loan period or two years thereafter;
 - will not abrogate existing collective bargaining agreements with labor unions; and
 - will remain neutral regarding current or future union organizing activity.
- **Main Street Business Lending Program:** The Federal Reserve Bank (FRB) announced a “Main Street Business Lending Program” to provide relief for companies in the middle — too big for small-business loans and too small to tap capital markets. Details to come.



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Taxation

- **Tax Day Now July 15**

- **Deferral of Tax Payment**

- Taxpayers can defer federal income tax payments due on April 15, 2020, to July 15, 2020, without penalties and interest, regardless of the amount owed. This deferment applies to all taxpayers, including individuals, trusts and estates, corporations and other non-corporate tax filers as well as those who pay self-employment tax.

- **Deferral of Payment of Payroll Taxes**

- The CARES Act provides for a delay in payment of employer payroll taxes (Social Security).
- The provision requires that the deferred employment tax be paid over the following two years, with half of the amount required to be paid by December 31, 2021 and the other half by December 31, 2022.
- This deferral does not apply to employers who have loans forgiven under Paycheck Protection Program.



Taxation (cont.)

- **Employee Retention Credit for Employers Subject to Closure Due to COVID-19**
 - The CARES Act provides a refundable payroll tax credit of 50 percent of qualifying wages paid by employers during the COVID-19 crisis, capped at \$10,000 per employee.
 - For employers with ***greater than 100 full-time employees***, qualified wages are wages paid to employees when they are *not* providing services due to the COVID-19-related circumstances.
 - For eligible employers with ***100 or fewer full-time employees***, all employee wages qualify for the credit, whether the employer is open for business or subject to a shut-down order.
 - The credit is available to employers whose (1) operations were fully or partially suspended, due to a COVID-19-related shutdown order, or (2) gross receipts declined by more than 50 percent when compared to the same quarter in the prior year.
 - The credit rules apply to wages paid (not earned) from March 13, 2020 through December 31, 2020.
 - The credit is NOT available to employers receiving assistance through the SBA Paycheck Protection Program.

Taxation (cont.)

- **Net Operating Loss (NOL)**

- The CARES Act relaxes the limitations on a company's use of losses. These changes will allow companies to utilize losses and amend prior year returns, which will provide critical cash flow and liquidity during the COVID-19 emergency.
- Net operating losses (NOL) are currently subject to a taxable-income limitation, and they cannot be carried back to reduce income in a prior tax year. T
- The provision provides that an NOL arising in a tax year beginning in 2018, 2019, or 2020 can be carried back five years.
- The provision also temporarily removes the taxable income limitation to allow an NOL to fully offset income.
- Extends application of NOL provisions to pass-through businesses and sole proprietors

- **Accelerated Recovery of AMT Credits**

- The CARES Act accelerates the ability of companies to recover those alternative minimum tax credits, permitting companies to claim a refund now and obtain additional cash flow during the COVID-19 emergency.

Taxation (cont.)

- **Business Interest Expense**

- The CARES Act temporarily increases the amount of interest expense businesses are allowed to deduct on their tax returns, by increasing the 30-percent limitation to 50 percent of taxable income (with adjustments) for 2019 and 2020.

- **Qualified Improvement Property**

- The CARES Act enables businesses, especially in the hospitality industry, to write off immediately costs associated with improving facilities instead of having to depreciate those improvements over the 39-year life of the building.
- The provision not only increases companies' access to cash flow by allowing them to amend a prior year return, but also incentivizes them to continue to invest in improvements as the country recovers from the COVID-19 emergency.

Taxation (cont.)

- **Refundable Payroll Tax Credits for Small Businesses on Paid Sick Leave and Family Leave**
 - Small businesses with fewer than 500 employees can take advantage of two new refundable payroll tax credits, designed to immediately and fully reimburse them, dollar-for-dollar, for the cost of providing Coronavirus-related leave to their employees.
- **Paid Sick Leave Credit**
 - A \$200 or \$511 per day maximum tax credit (up to 10 days) includes sick pay paid to an employee, plus amounts paid by the employer to maintain group health plan benefits for the employee if such group health plan is tax-free to the employee (as most employer-provided health plans are).
 - Max of \$511 per day for an employee who is out of work because of federal, state, or local quarantine or isolation order; advised by a health care provider to self-quarantine; employee is experiencing symptoms of COVID-19 and seeking medical diagnosis for COVID-19.
 - Max of \$200 per day for an employee who is out of work because employee is caring for individual subject to quarantine or employee is out because child care is unavailable.
 - The tax credit allowed to an employer is treated as income to the employer. The tax credit is applied to offset the employer's share of the social security component of its payroll taxes, and the tax credit is refundable.
 - The tax credit is only available for sick leave that an employer is required to pay under the FFCRA.

Taxation (cont.)

- **Paid Family and Medical Leave Tax Credit**

- An employer is allowed a credit of 100% of such family leave payments. The maximum credit amount for family leave payments required by FFCRA is \$200 per day per employee, with a maximum of \$10,000 per employee for all quarters.

Examples of Paid Leave Tax Credit

- If an eligible employer paid \$5,000 in sick leave and is otherwise required to deposit \$8,000 in payroll taxes, including taxes withheld from all its employees, the employer could use up to \$5,000 of the \$8,000 of taxes it was going to deposit for making qualified leave payments. The employer would only be required under the law to deposit the remaining \$3,000 on its next regular deposit date.
- If an eligible employer paid \$10,000 in sick leave and was required to deposit \$8,000 in taxes, the employer could use the entire \$8,000 of taxes in order to make qualified leave payments and file a request for an accelerated credit for the remaining \$2,000.



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Employment: Required Paid Leave for Small Businesses

	What employers does this apply to?	What is the required duration of leave?	What are qualifying reasons for taking leave?	What is the required wage replacement?*
Paid sick leave Takes effect: April 1, 2020 Expires: December 31, 2020	<ul style="list-style-type: none"> • Private sector employers that have fewer than 500 employees • Public sector employers that have one or more employees • <i>Small businesses with less than 50 employees may be exempted if leave requirements would burden the business too much</i> 	<ul style="list-style-type: none"> • 80 hours for full-time employees and a pro-rata amount for part-time employees 	<ol style="list-style-type: none"> 1. Gov. mandated COVID-19 related quarantine 2. Health care provider advised quarantine 3. Experiencing symptoms or seeking diagnosis 4. Caring for quarantined individuals or children who are at home due to COVID-19 5. Experiencing a similar condition as defined by HHS 	<ul style="list-style-type: none"> • If home due to reasons 1-3: Regular rate of pay, capped at \$511 daily and \$5,110 in the aggregate • If home due to reasons 4-5: 2/3 of regular rate of pay, capped at \$200 daily and \$2,000 in the aggregate
Family and medical leave Takes effect: April 1, 2020 Expires: December 31, 2020	<ul style="list-style-type: none"> • Private sector employers that have fewer than 500 employees • <i>Small businesses with less than 50 employees may be exempted if leave requirements would burden the business too much</i> 	<ul style="list-style-type: none"> • 12 weeks of paid family and medical leave for full-time employees that have been with the company for at least a month • Part-time employees are “eligible for leave for the number of hours that the employee is normally scheduled to work over that period” 	<ul style="list-style-type: none"> • Unable to work or telework because caring for quarantined individuals or children who are at home due to COVID-19 	<ul style="list-style-type: none"> • At least 2/3 of regular rate of pay, capped at \$200 daily and \$10,000 in the aggregate

Employment: Required Paid Leave for Small Businesses

- **DOL Guidance**

- Details on the requirements and exemptions are provided in DOL's frequently updated guidance.

- **Notice Required**

- Employers must post notice of these changes by April 1, 2020 in a similar manner to other poster requirements. Such poster notices can be found on DOL's website.

- **Tax Credits**

- Employers who are impacted by these provisions are eligible for tax credits. More information on employer tax credits can be found through the Department of Treasury.

- **Effective Dates and Non-Enforcement Period**

- These requirements are in effect from April 1, 2020 through December 31, 2020. DOL will not be enforcing these paid leave requirements for the first 30 days and instead will be focusing on compliance during this time period.

<https://www.dol.gov/agencies/whd/pandemic>

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Federal Resources

On March 31, the President updated his **Coronavirus Guidelines for America – 30 Days to Slow the Spread**. The President's guidelines serve as national guidance in addition to any directives ordered by state and local authorities. They will help slow the spread of the coronavirus.

White House: <https://www.coronavirus.gov/>

Centers for Disease Control: <https://www.cdc.gov/coronavirus/2019-nCoV/index.html>

Small Business Administration: <https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>

Department of Labor: <https://www.dol.gov/agencies/whd/pandemic>

Department of Treasury: <https://www.irs.gov/coronavirus>

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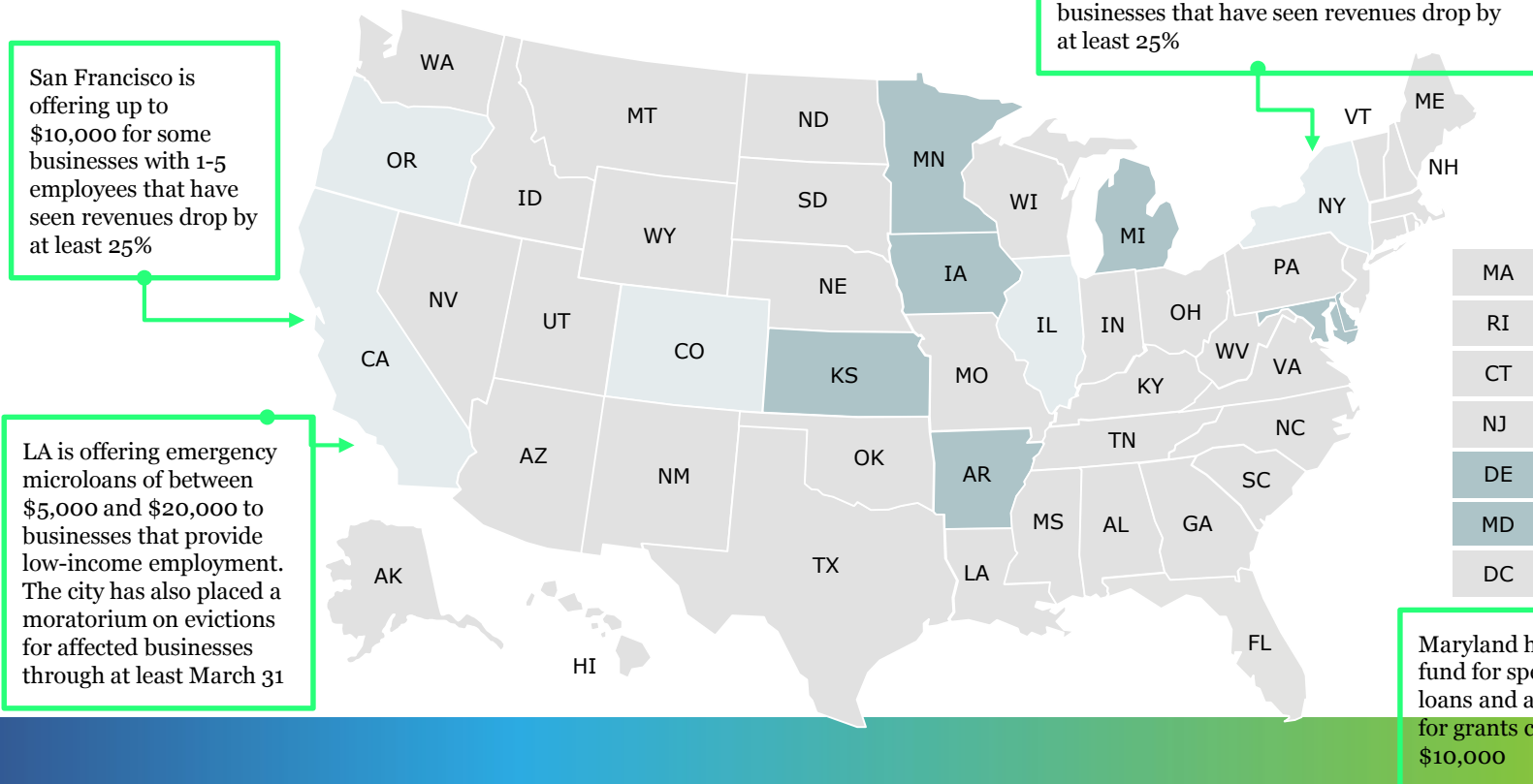
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State Resources: Check BPAA Website for MBS State Tracker

State and local relief programs

AS OF MARCH 25, 2020

■ Statewide program ■ Localities have programs



Some states and cities have developed their own relief packages to help their small businesses survive.

National Governors Association:
<https://www.nga.org/coronavirus/>

Thank you!

Questions?

Visit BPAA's COVID-19 Center at <https://bpaa.com/cv19> or Please Contact:



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