



The CARES Act: What Small and Mid-Sized Businesses Need to Know

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Today's Webinar

- Breakdown of the CARES Act
- Paycheck Protection Program (Free Money!?)
- Common Questions from Employers
- Businesses just over 500 employees
- Other Programs for Small Businesses
- Questions!

The CARES Act - \$ Breakdown

- \$2 TRILLION in economic relief from the Coronavirus – largest in American history
- \$600 Billion – Individuals
- \$500 Billion – Larger Corporations
- \$377 Billion – Small Businesses
- \$340 Billion – State & Local Governments
- \$180 Billion – Public Services

FOCUS: Small & Midsized Businesses



Paycheck Protection Program

1. Who is eligible?
2. What can the loan be used for?
3. Will the loan be forgiven?
4. What is the process?
5. What about RIF's, furloughs, etc.?
6. Other programs?

Who is Eligible?

1. Businesses, start-ups, veterans organizations and non-profits with 500 employees or fewer; OR
2. More than 500 employees IF NAICS Code applies
 - Certain auto manufacturers are considered “small” if no more than 1,500 employees
- BEWARE: AFFILIATES INCLUDED IN CALCULATION
 - All domestic & foreign affiliates’ employees combined
 - Excluded
 - NAICS Code with “72” – hotels, inns, RV parks, food services, restaurants, caterers (location exception)
 - Franchised businesses
 - Receives financial assistance under Section 301 of Small Business Investment Act.
3. Sole proprietorships & Independent contractors
 - Must have been in operation on February 15, 2020

How is the Loan Size Determined?

- Maximum loan size is \$10 million
- Average total monthly payroll costs over the last year multiplied x 2.5
- Eligible payroll costs
 - Compensation (salary, wage, commission or cash tips)
 - Payment for vacation, parental, medical, or sick leave
 - Severance
 - Health care benefits, including insurance premiums
 - State or local tax assessed on employee comp
- Not eligible
 - Employee/owner comp over \$100,000
 - Certain taxes
 - Comp 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 Families First Coronavirus Response Act

Allowable Uses of Loan?

- Payroll costs
- Payment of interest on any mortgage obligation (not principal)
- Rent (including rent under a lease agreement)
- Utilities
- Interest on any other debt obligations that were incurred before the covered period

Is Loan Forgiveness Available?

- Yes, IF used to maintain payroll (keep people employed) during the covered period.
- Amount will be reduced IF employer:
 - Reduces its workforce during eight-week period; or
 - Reduces the salary or wages paid to an employee by more than 25% during that period
- Exception? Re-hires all employees laid off, or increased their previously reduced wages, no later than June 30, 2020

What if the Loan is NOT Forgiven?

- Portion NOT forgiven is carried forward as an ongoing loan with max term of 10 years and a max interest rate of 4%
- Principal and interest will continue to be deferred, for a total of 6 months to a year after disbursement of the loan. No restarts.

What is the Process?

1. Contact your lawyers
2. Contact your CPA & Bookkeepers
3. Contact your bank or an approved SBA 7(a) lender
 - Possible “Go Live” this Friday, April 3
 - Fill out application (online)
 - Self Certify
 - Lender has 15 days to approve
 - Forgiveness through your lender
 - Verify # of employees on payroll and pay rates, including IRS payroll filings and state income, payroll and unemployment insurance filings
 - Verify rent, mortgage, lease, and utility obligations
 - Certification from business rep

Common Questions from Employers

1. Take PPP Loan or Furlough/Lay-Offs?
2. How do you reconcile employer reimbursements under new paid leave laws under the FFCRA and the CARES Act?
3. What about the enhanced unemployment benefits?
4. What if my business has already been closed due to Michigan's "Stay Home" Order?

\$500 Billion for Larger U.S. Businesses

- \$500 Billion in emergency relief funds (“Fund”)
 - \$29 billion for airlines; \$17 billion for national security (Boeing and GE)
 - \$454 billion for backstop losses
- Fund overseen by new Inspector General and Congressional Oversight Commission (5 person panel)
- Treasury to publish procedures for application and minimum requirements on April 6

Assistance for Mid-Sized Businesses

- Between 500 and 10,000 employees
- Direct loans with interest rate not higher than 2 percent per annum
- No principal or interest due for first 6 months (or longer)
- Certification required (strings attached)
 - Uncertainty of economic conditions
 - Funds will be used to retain at least 90% of workforce at full compensation and benefits until September 30, 2020
 - Will restore not less than 90% of workforce that existed as of February 1, 2020
 - Domiciled in the US with significant operations and employees in the US
 - Not in bankruptcy
 - No dividends or repurchase of stock (buy-backs)
 - No outsourcing or offshoring jobs
 - No abrogation of CBA's
 - Neutrality in any union organizing effort for term of loan

Assistance for Mid-Sized Businesses

- Limits on Employee/Executive Comp
 - \$425k cap for officers and employees while loan is in effect PLUS one year
 - \$3,000,000 cap for officers and employees plus 50% of whatever he/she received over that in 2019
- Can be waived, but Treasury Secretary must testify why...
- Act references Main Street Business Lending Program without details

Assistance for Mid-Sized Businesses

- Employee Retention Credit for COVID-19 Closure
 - 50% of wages for each employee
 - Not applicable if you are in the PPP

Additional Financial Relief & Programs for Small & Mid-Sized Businesses

- SBA Emergency Injury Disaster Loans (EIDL)
- Women's Business Center Program
- Minority Business Development Agency
- Entrepreneurial Development

SBA Emergency Injury Disaster Loans (EIDL)

- \$10 Billion in available funds
- COVID-19 is a qualifying event
- Up to \$2 million loan per small business
- Based on economic injury – not to replace lost sales or revenue

SBA Emergency Injury Disaster Loans (EIDL)

- Eligible - Under 500 employees
- Can be used for payroll, AP, sick leave, fixed debts, and other bills
- Can't be used for refinance, loans to other agencies, tax penalties, repair physical damage, or dividends
- CARES ACT waived personal guaranty under \$200k, 1 year operation, and ability to find credit elsewhere

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CARES Act Assistance Team

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Questions?

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