



Notes from: CARES Act Explained - Tax Implication Webinar #2

Disclaimer: MyOutDesk & CliftonLarsonAllen LLP are not providing tax, legal, or financial advice. We strive to support the success of all SMBs and want to pass along useful and practical information that can help your business draw out effective solutions. Please consult your trusted advisors which may include qualified tax, legal, or investment professionals for guidance that is specific to your unique business situation. MyOutDesk is only your partner in Virtual Assistant solutions and we are not holding ourselves out to be a licensed tax, investment, or legal professional.

Congress passed the CARES Act, and currently agencies are trying to update procedures to get it out to the banks. The SBA has to figure out how this will work which is still in process.

In this webinar, we'll discuss what we think it's going to happen. Know more on our site: <https://www.myoutdesk.com/blog/caresactexplained/>

DIFFERENCES BETWEEN SBA Economic Injury Disaster Loans / Loan Advances & CARES Act Paycheck Protection program

SBA Economic Injury Disaster Loans / Loan Advances (EIDL)

In response to the Coronavirus (COVID-19) pandemic, small business owners in all U.S. states, Washington D.C., and territories are eligible to apply for an Economic Injury Disaster Loan advance of up to \$10,000.

This advance will provide economic relief to businesses that are currently experiencing a temporary loss of revenue. Funds will be made available within three days of a successful application. This loan advance will not have to be repaid.

Request funding up to 2 million dollars, pay back in a rate of 30 years at 2.75%, for any contractual requirement you have.

You have to prove that you have economic need, you've been severely injured to need this money, the SBA will pre-approve you \$10,000 immediately. If you're not qualified for the loan, you get to keep it right away and not need to repay.

SBA EIDL Application & Information:

<https://www.sba.gov/funding-programs/disaster-assistance>

The opportunity to apply is there, regardless of business entity type. In theory, you'll be eligible to submit application

What is considered proof of harm? Present an application that you are not bringing enough cash flow in that cannot cover the cash flow out. I.e. cannot afford to pay bills, will go out of business. You need to guarantee the loan, like any recourse loan. This disaster loan is like any other loan. You have to be prepared to pay that money back eventually.

Present in the application that you're not bringing cash flow in to cover the cash flow that's going out.

I went online and filled out the \$10,000 but didn't see anything about applying for the loan. If you qualify for the loan, are you expected to pay back the advanced \$10,000? If you don't qualify, you are not expected to pay back the loan.

Are bars and tattoo shops qualified for this loan? Any small business with under 500 employees should qualify to submit an application.

What is Certified Payroll? Link to EIDL: <https://www.benefits.gov/benefit/1504>. The program bears the right to ask for the required documentation. Can include 1099 employees for counting into your payroll number. Anyone that you can certify that you pay is part of your certified payroll.

What can't use the loan for:

- To refinance existing debt
- To repay other loans
- Repairs of properties
- Dividends, distributions (to owners)

TIP: Frame your case for any loan application as "Before Coronavirus/After Coronavirus." Show your trajectories from before, and show the trajectories now.

Can I count my MOD VAs as part of payroll?

No. They are overseas, the Paycheck Protection Program is meant for folks in the US.

CARES Act Paycheck Protection Program (PPP, 7(a) Loan)

Known as Paycheck Protection Program or Section 7(a) by SBA. These are administered by local SBA institutions.

\$10 million or 2.5 the average of your payroll costs over the last 12 months for a loan, up to 4% interest., can defer interest for 4-12 months, anyone less than 500 employees, meant to be used for payroll, interests on mortgages, rent, and utility costs.

If you use the money on payroll and you don't lay anyone off, they will forgive any portion of the loan.

How? Taking payroll expense, any 1099 expense on the books from feb-june 2019, take the highest month, multiply by 2.5, that is the amount of loan you can get for the 7(a), up to a max of \$10 million. It's fully forgivable if you are using it for qualified costs.

The SBA is gathering exactly how these applications are going to look. Gathering approved institutions that can take these applications.

How you can verify how you can get this loan forgiven is still to be determined. It's a different process than we've ever seen before, and the government is prioritizing the urgency of getting money out throughout the economy.

Can I count my MOD VAs as part of payroll? No with PPP, but YES - you can have Virtual Assistant expenses covered with EIDL! If a business signs an annual renewable addendum to their MOD contract, the expense is considered "other financial obligations," and thus the cost of Virtual Assistants can be included as a covered expense and do not need to be repaid as part of the \$10,000 advance. VAs are overseas, thus Paycheck Protection Program benefits are meant for onshore employees.

Can you have both an EIDL AND a PPP 7(a) loan? No duplicate loans for the same purpose. If you get an EIDL loan with payroll as justification, you cannot use PP loan. Try to get the PPP loan first, then try the EIDL loan afterwards. No issue of double dipping in that case.

For the 7(a), you have 8 weeks to spend it once approved and can spend it on only approved terms.

What qualifies as payroll costs:

Any salary, wage, commission, tips, or similar compensation; payment for vacation sick leave, severance pay, health care benefits, retirement benefits, and state & local taxes assessed on an employee. Any payroll cost above a \$100,000 annual salary per individual can not be counted. There's an opportunity to include 1099 folks that are part of your business needs.

PPP Applications will be available after April 3rd.

Senate's Guide to the CARES Act: [link](#)

List of the 100 Most Active SBA 7(a) Lenders: [Link](#)

A top SBA 7(a) producer today most likely can process PPP 7(a) loans.

Quick Sales Tip:

Change your value proposition, look at your expenses, and think of the CEO mindset: *we all get paid to provide a service or a product.*

1-on-1 Strategy Calls with MyOutDesk

Cost: zero. Book your *Thrive* Business Consultation. We can help you. [Link](#)

Connect with Tim Mahoney at CliftonLarsonAllen LLP (CLA):

<https://www.claconnect.com/campaign/covid-19>

Tax Brief & Closing:

There are beneficial income tax law changes that came out of the CARES Act. Because of the CARES Act, you now can carry back net operating loss for 5 years, access waivers, eliminate exemption wages; tenant repairs are now 15 years; you can expense 100% back to 2018. Also you can delay payment for payroll taxes, and there are opportunities to get credit if your business is severely impacted or shutdown by recent mandates. Get a credit for up to \$10,000 per employee.

There are lots of benefits that are complex in a lot of cases, so talk to your CPAs or Tim Mahoney about it.

Thrive, Make Money, Save Money.
Organize a Restructure into Remote Work for Your Business Today!

[Access more business guides & Schedule a free consultation](#)



Courtesy of MyOutDesk