An aerial photograph of a city grid, showing various buildings, streets, and parking lots. A large green rectangular overlay is positioned in the upper-middle section of the image, containing white text. The text is centered and reads: "Navigating the CARES Act Together Prepared for Grande Operators".

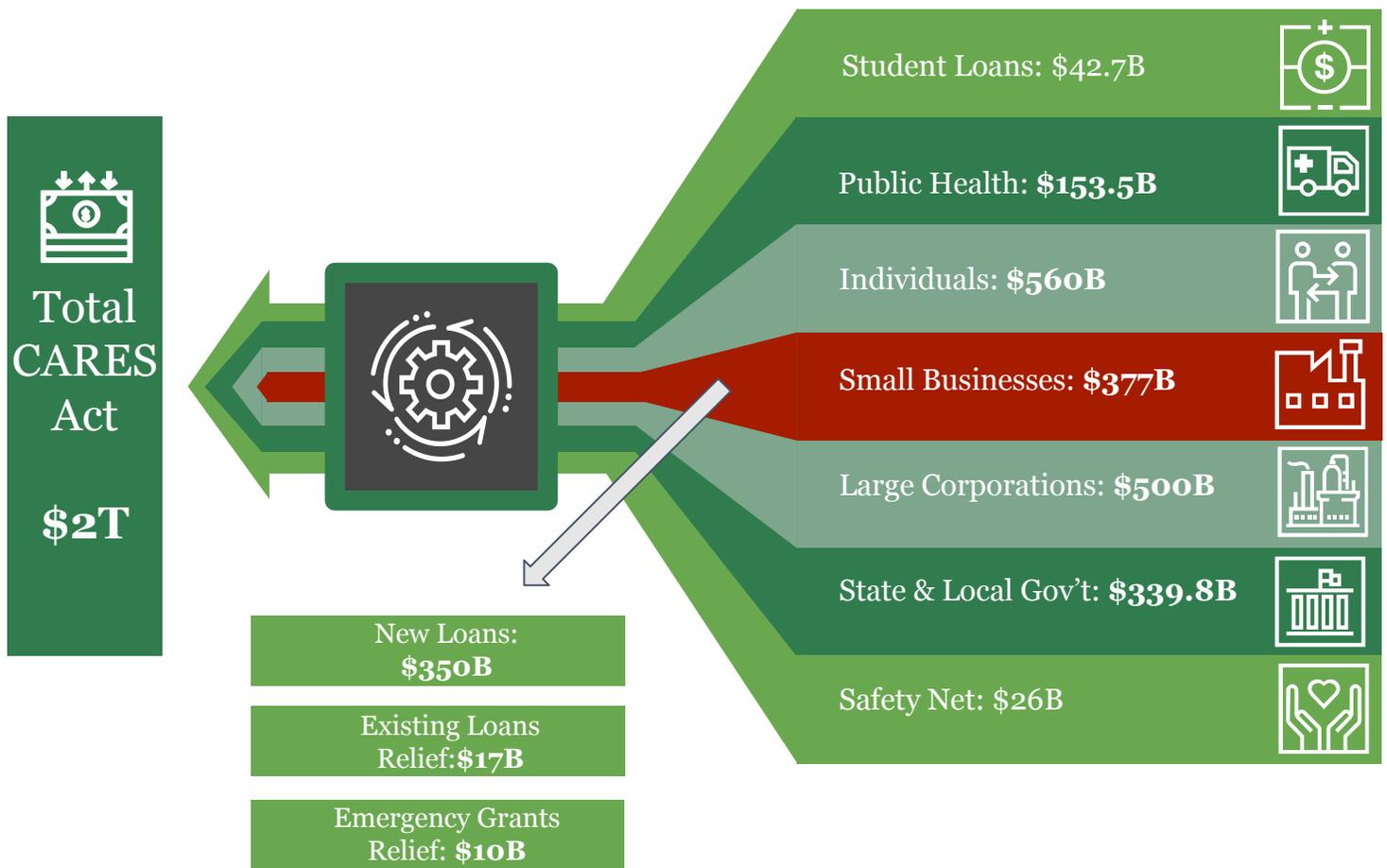
# Navigating the CARES Act Together

Prepared for Grande Operators

# Navigating the CARES Act Together



## A breakdown of the \$2T Coronavirus Economic Stimulus



**Our Focus**

# Navigating the CARES Act Together



*COVID-19 CARES Act focuses on 6 areas that will help medium and small businesses to access loans to cover payroll*

## Legislation Benefits Summary

### COVID-19 - CARES Act Federal stimulus overview

#### Paycheck Protection Program (“PPP”)

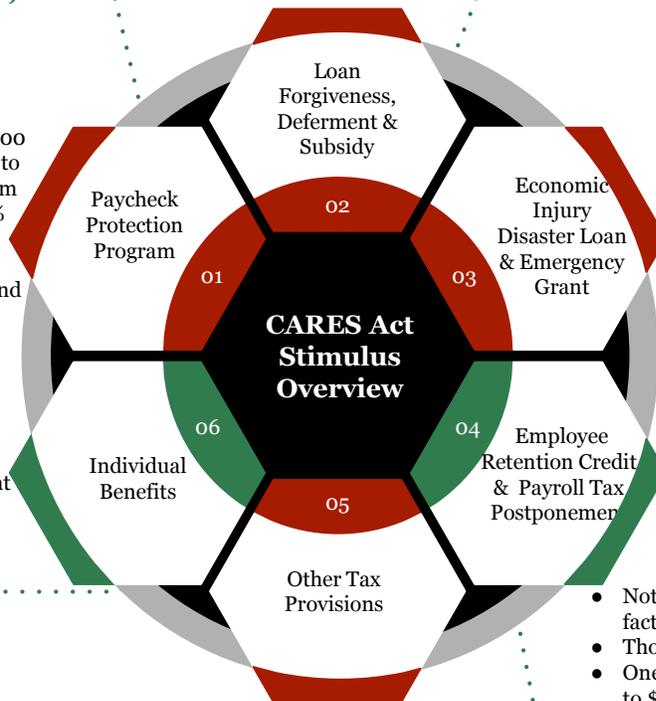
- \$350 billion in accessible loans towards small businesses during the “covered period” (February 15, 2020 through June 30, 2020)
- Maximum Loan Amount: \$10,000,000
- The size of the loans would equal up to 2 months of your average payroll from the prior year plus an additional 25% (period ending on loan date)
- Proceeds may cover payroll costs, mortgage payments, rent, utilities, and any other debt service requirements

#### Individual (Employee) Benefits

- Individual Stimulus Payments
- Retirement Fund Distributions Adjustment
- Charitable Contributions Adjustment
- Employer Paid Student Debt Exclusion
- Individual Business Losses

#### Other Tax Provisions

- Net Operating Losses Adjustment
- Additional loans
- Interest Limitations Adjustment
- Qualified Improvement Property Correction
- Alternative Minimum Tax Credit Acceleration
- Excise Tax Exemption



**Our Focus**

#### Loan Forgiveness, Deferment & Subsidy

- Portions of the PPP loans will be forgiven tax free from payments made by the borrower (limited to payroll costs, mortgage interest, rent, and covered utilities) during the first 8 week period beginning on loan origination date
- PPP loans will have automatic deferment of payment for 6 months with no prepayment penalties
- On existing Section 7(a) SBA loans (*other than payroll protection loans*), principal, interest, and fees will be paid for six months by the SBA

#### Economic Injury Disaster Loan & Emergency Grant

- Economic Injury Disaster Loans (“EIDLs”) will provide small businesses with working capital loans of up to \$2,000,000
- Small business are eligible to receive a \$10,000 advance as part of the EIDL, treated as a grant
- The \$10,000 grant will be deducted from the available amount of loan forgiveness above

#### Retention Credit & Payroll Tax Postponement

- Not limited to small businesses - employee size does not factor into eligibility
- Those taking out a PPP loan will not be eligible
- One-year only credit against employee “qualified wages” (up to \$10,000 per employee)
- 6.2% share of Social Security tax payments can be postponed for 2020
- Deferred tax payments will be made on December 31, 2021 (50%) and December 31, 2022 (50%)

# Navigating the CARES Act Together



*Operators with < 500 employees (including restaurant Multi-Units) can apply for the Paycheck Protection Program and avail maximum loans up to \$10,00,000*



## Opportunities Identified

Paycheck Protection Program

01

### **Paycheck Protection Program (PPP):**

Operators with < 500 employees including restaurant Multi-Units (by location) are eligible for the Paycheck Protection program. The eligibility for the loans will be determined based on whether the business was operational as of February 15, 2020, had employees on payroll, paid wages, and paid payroll taxes. Loan applications for Small Operators start April 3rd; independent contractors and self employed individuals start April 10th.

Payroll costs are defined through the sum of the following:

- Wages, commissions, salaries, cash tips/equivalents, payments for vacation/family/medical/sick leave, allowances for dismissal, group health care benefits, retirement benefits, and state/local tax assessed for compensation of employees

Operators can calculate their potential loan amount based on the formula mentioned below:

- Up to 2 months of your average payroll from the prior year plus an additional 25% with a \$10 million cap

For example, if the employer had an average monthly payroll of \$900,000 over the prior year, it would be eligible for a loan of \$2.25 million (\$900,000 average monthly payroll times 2.5). However, individual employee caps are at an annualized \$100,000, hence anything over \$100,000 per employee is not included in the calculation.

Note that the paycheck protection loans are fully guaranteed by the federal government through December 31, 2020.

- Loans will be available immediately through SBA-certified lenders, which include banks, credit unions, and other financial institutions.
- The deadline to apply for paycheck protection loans is June 30, 2020.



## How to Take Action

- Please consult your bank, accountant, or attorney for additional information and direction on how to apply
- SBA Eligibility: <https://www.sba7a.loans/eligibility-and-qualifications-for-the-sba-7a-loan>
- SBA Small Business Loan Guidance & Resources: <https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>
- PPP Information: <https://home.treasury.gov/system/files/136/PPP%20Borrower%20Information%20Fact%20Sheet.pdf>

# Navigating the CARES Act Together



*Operators can avail the loan deferment & subsidy related benefits based on the COVID-19 CARES Act*



## Opportunities Identified

Loan  
Forgiveness,  
Deferment &  
Subsidy

02

### Loan Forgiveness:

- The federal government will forgive the loans in an amount equal to the amount of qualifying costs spent during an eight-week period after the origination of the loan.
- These qualifying costs include payroll costs (except of wages above \$100,000 per employee), interest on eligible mortgage, lease and utilities in place prior to February 15, 2020.

However it is important that the Operators comply with the rules laid out by the CARES Act:

- Operators cannot reduce their workforce during the eight-week period compared to prior periods; or
- Reduce the salary or wages paid to an employee by more than 25% during the 8-week period (compared to the most recent quarter).
- Any reduction in the amount of loan forgiveness will be completely avoided if the employer re-hires all employees laid off (going back to February 15, 2020), or increased their previously reduced wages, no later than June 20, 2020.



## How to Take Action

- Please consult your bank, accountant, or attorney for additional information and direction on how to apply
- SBA Eligibility: <https://www.sba7a.loans/eligibility-and-qualifications-for-the-sba-7a-loan>
- SBA Small Business Loan Guidance & Resources: <https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>

# Navigating the CARES Act Together



*Operators will avail an automatic loan deferment for one year upon participation in the Paycheck protection loan program OR receive up to six months of principal loan payment by the SBA on loan subsidies*



## Opportunities Identified

Loan  
Forgiveness,  
Deferment &  
Subsidy

02

### Loan Deferment:

- Operators can receive an automatic Paycheck protection loan payment deferment for up to 6 months
- Note: There will be no prepayment penalties

### Loan Subsidy:

- For loans OTHER THAN the new Paycheck Protection loans, the SBA will pay six months of principal, interest, and fees on covered loans under the Small Business Act 7(a) (including Community Advantage), 504, or microloan product qualifying through the form of a government subsidy



## How to Take Action

- Please consult your bank, accountant, or attorney for additional information and direction on how to apply
- SBA Eligibility: <https://www.sba7a.loans/eligibility-and-qualifications-for-the-sba-7a-loan>
- SBA Small Business Loan Guidance & Resources: <https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>
- Loan Subsidies: <https://www.natlawreview.com/article/inside-cares-act-loan-payment-subsidies-certain-loans-part-cares-act-2020>

# Navigating the CARES Act Together



*Operators with < 500 employees (including restaurant Multi-Units) can request for Economic Disaster Loans up to \$2,000,000 based on eligibility*



## Opportunities Identified

Economic  
Injury  
Disaster Loan  
& Emergency  
Grant

03

### Disaster Loan:

- Operators can apply for Disaster Loans through the Small Business Administration and can be for a maximum of \$2 million.
- The interest rate can be up to 3.75% for companies and up to 2.75% for nonprofits, as well as principal and interest deferment for up to four years.
- The loans may be used to pay for expenses that could have been met had the disaster not occurred, including payroll and other operating expenses

Note: If the Operator already has an EIDL loan unrelated to COVID-19, they can apply for a Payment protection loan with an option to refinance that loan into the Payment protection loan



## How to Take Action

- Please consult your bank, accountant, or attorney for additional information and direction on how to apply
- SBA Eligibility: <https://www.sba7a.loans/eligibility-and-qualifications-for-the-sba-7a-loan>
- SBA Small Business Loan Guidance & Resources: <https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>
- Disaster assistance and loan application details: <https://www.sba.gov/funding-programs/disaster-assistance>
- Disaster loan application website: <https://www.sba.gov/disaster/apply-for-disaster-loan/>

# Navigating the CARES Act Together



*Operators with < 500 employees (including restaurant Multi-Units) can request for Economic Disaster Loans up to \$10,000 based on eligibility*



## Opportunities Identified

Economic Injury Disaster Loan & Emergency Grant

03

### Disaster Grant:

- Operators can apply for Disaster Loans worth \$10,000
- These emergency grants will be provided to the small operators within three days of applying for the loan
- These funds can be used to maintain payroll, cover paid sick leave and service other debt obligations
- **Note:** The EIDL grant award would be subtracted from the amount forgiven under the Paycheck Protection Program.

### Grant Repayment:

- The emergency grant does not need to be repaid, even if the grantee is subsequently denied an economic injury disaster loan.
- The grant may be used to provide paid sick leave to employees, maintaining payroll, meet increased production costs due to supply chain disruptions or pay business obligations, including debts, rent and mortgage payments. Eligible grant recipients must have been in operation on Jan. 31.



## How to Take Action

- Please consult your bank, accountant, or attorney for additional information and direction on how to apply
- SBA Eligibility: <https://www.sba7a.loans/eligibility-and-qualifications-for-the-sba-7a-loan>
- SBA Small Business Loan Guidance & Resources: <https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>
- Disaster assistance and loan application details: <https://www.sba.gov/funding-programs/disaster-assistance>
- Disaster loan application website: <https://www.sba.gov/disaster/apply-for-disaster-loan/>

# Navigating the CARES Act Together



## Appendix

# Navigating the CARES Act Together



*Grande wants to ensure that they and their partners have the right information available to fully utilize the tangible benefits of the CARES Act via the Paycheck Protection Program*



## Taking action: Resource guide to enable success

Paycheck Protection Program

01

## Paycheck Protection Program

|                               |  |  |
|-------------------------------|--|--|
| Eligibility                   |  | <ul style="list-style-type: none"> <li>• Businesses and nonprofits with 500 or fewer employees are generally eligible for the loans. This includes businesses in the hospitality industry including restaurants with per location employee count not exceeding 500 and self-workers.</li> <li>• Eligibility for the loans will be determined based on whether the business was operational as of February 15, 2020, had employees on payroll, and paid wages and payroll taxes.</li> </ul>   |
| Determining Loan Value        |  | <p>Equal to whichever is less:</p> <ul style="list-style-type: none"> <li>• Up to 2 months of your average payroll from the prior year plus an additional 25% (limits include a cap of \$100,000 for any individual's compensation) for the last year - period ending at loan origination date AND any previously taken Economic Injury and Disaster Loan (EIDL) that has been refinanced into a paycheck protection loan</li> <li>• OR \$10 million</li> </ul>  |
| Payroll Cost Conditions       |  | <ul style="list-style-type: none"> <li>• Wages, commissions, salaries, and cash tips/equivalents</li> <li>• Payments for vacation/family/medical/sick leave, allowances for dismissal, group health care benefits, retirement benefits, and state/local tax assessed for compensation of employees</li> </ul>  |
| Additional Loan Criteria      |  | <p>Businesses with 500-10000 employees are also eligible for for Direct loans under the CARES Act by making a "good-faith certification" that it will comply with certain requirements listed in the CARES Act.</p> <ul style="list-style-type: none"> <li>• Restore at least 90% of its workforce as of February 1, 2020, to include re-storing all compensation and benefits for those employees as of the same date.</li> <li>• Not outsource jobs for the term of the loan (which cannot exceed five years) and for two years after repaying the loan;</li> <li>• Not abrogate an existing collective bargaining agreement for the term of the loan and for two years</li> <li>• It will remain neutral in any union organizing effort for the term of the loan</li> </ul> |
| Loan Originators & Processing |  | <ul style="list-style-type: none"> <li>• Paycheck protection loans are fully guaranteed by the federal government through December 31, 2020.</li> <li>• Loans will be available immediately through SBA-certified lenders, which include banks, credit unions, and other financial institutions.</li> <li>• The deadline to apply for paycheck protection loans is June 30, 2020.</li> </ul>   |

# Navigating the CARES Act Together



*Grande wants to ensure that they and their partners have the right information available to fully utilize the tangible benefits of the CARES Act via the Loan Forgiveness, Deferment & Subsidy program*



**Taking action: Resource guide to enable success**

Loan  
Forgiveness,  
Deferment &  
Subsidy

02

## Loan Forgiveness, Deferment, & Subsidy

|                              |  |   |
|------------------------------|--|---|
| Determining Loan Forgiveness |  | <ul style="list-style-type: none"> <li>The federal government will forgive the loans in an amount equal to the amount of qualifying costs spent during an eight-week period after the origination of the loan.</li> <li>These qualifying costs include payroll costs (except of wages above \$100,000 per employee), interest on secured debt obligations, and rent and utilities in place prior to February 2020.</li> </ul>   |
| Maintaining Eligibility      |  | <ul style="list-style-type: none"> <li>Reduces its workforce during the eight-week period compared to prior periods; or</li> <li>Reduces the salary or wages paid to an employee by more than 25% during the 8-week period (compared to the most recent quarter) result in a proportional reduction of loan forgiveness</li> <li>Any reduction in the amount of loan forgiveness will be completely avoided if the employer re-hires all employees laid off (going back to February 15, 2020), or increased their previously reduced wages, no later than June 20, 2020.</li> </ul> |
| Actions Needed               |  | <p>To seek Loan Forgiveness, a borrower must submit to the lender and application that includes documentation verifying:</p> <ul style="list-style-type: none"> <li>Number of employees and their pay rates</li> <li>The previous six weeks of payroll and later verify that they have paid employees for eight weeks after receiving the loan</li> <li>Cancelled checks showing mortgage, rent, or utility payments</li> </ul>   |
| Loan Deferment               |  | <p>Participating in Paycheck Protection Program (“PPP”) automatically awards the following:</p> <ul style="list-style-type: none"> <li>Automatic PPP loan payment deferment for 6 months, however interest will still accrue over this period</li> <li>No prepayment penalties</li> </ul>   |
| Loan Subsidy                 |  | <p>The CARES Act also provides benefits to those with loans under Section 7(a) of the Small Business Act:</p> <ul style="list-style-type: none"> <li>For loans OTHER THAN the new Paycheck Protection loans, the SBA will pay six months of principal, interest, and fees on qualifying loans through the form of a government subsidy</li> </ul>   |

# Navigating the CARES Act Together



*Grande wants to ensure that they and their partners have the right information available to fully utilize the tangible benefits of the CARES Act via the Economic Injury Disaster Loan and Grant program*

Economic Injury Disaster Loan & Emergency Grant  
03



## Taking action: Resource guide to enable success

### Economic Injury Disaster Loan & Grant

|                              |  |   |
|------------------------------|--|---|
| Disaster Loan Eligibility    |  | <ul style="list-style-type: none"> <li>The act expands the eligibility to access <a href="#">Economic Injury Disaster Loans</a> for businesses with fewer than 500 employees and to any individual operating as a sole proprietor or an independent contractor.</li> <li>It also provides funds for emergency grants to be advanced to economic injury disaster loan applicants</li> </ul>  |
| Disaster Loan Considerations |  | <ul style="list-style-type: none"> <li>These loans are available through the Small Business Administration and can be for a maximum of \$2 million.</li> <li>They carry interest rates up to 3.75% for companies and up to 2.75% for nonprofits, as well as principal and interest deferment for up to four years.</li> <li>The loans may be used to pay for expenses that could have been met had the disaster not occurred, including payroll and other operating expenses</li> </ul>   |
| Limitations & Refinancing    |  | <p>There is a limitation on a borrower to receive assistance from the Paycheck Protection Program (“PPP”) and an EIDL through the Small Business Administration for the same purpose:</p> <ul style="list-style-type: none"> <li>If the borrower has an EIDL loan unrelated to COVID-19, they can apply for a PPP loan with an option to refinance that loan into the PPP loan</li> </ul>   |
| Emergency Grant              |  | <ul style="list-style-type: none"> <li>The CARES Act included \$10 billion in funding to provide advance emergency grants of \$10,000 to small businesses and nonprofits that also apply for a SBA economic injury disaster loan.</li> <li>These emergency grants will be provided to applicants within three days of applying for the loan</li> <li>It can be used to maintain payroll, cover paid sick leave and service other debt obligations</li> </ul> <p><b>Note:</b> The EIDL grant award would be subtracted from the amount forgiven under the Paycheck Protection Program.</p> |
| Emergency Grant Repayment    |  | <ul style="list-style-type: none"> <li>The emergency grant does not need to be repaid, even if the grantee is subsequently denied an economic injury disaster loan.</li> <li>The grant may be used to provide paid sick leave to employees, maintaining payroll, meet increased production costs due to supply chain disruptions or pay business obligations, including debts, rent and mortgage payments. Eligible grant recipients must have been in operation on Jan. 31.</li> </ul>   |

# Navigating the CARES Act Together



*Grande wants to ensure that they and their partners have the right information available to fully utilize the tangible benefits of the CARES Act via the Employee Retention Credit Program*



## Taking action: Resource guide to enable success

04 Employee Retention Credit & Payroll Tax Postponement

## Employee Retention Credit

|                             |  |   |
|-----------------------------|--|---|
| <p>Eligibility</p>          |  | <ul style="list-style-type: none"> <li>• Business operations were fully or partially suspended during any quarter of 2020 due to orders from a governmental authority that limited commerce, travel or group meetings in response to COVID-19; or</li> <li>• The business remained open but during any quarter in 2020 experienced a year-over-year (comparing calendar quarters) reduction in gross receipts of at least 50 percent. The business is entitled to the credit for each quarter until gross receipts for a quarter exceed 80 percent of receipts from the same quarter in 2019.</li> </ul>  |
| <p>Limitations</p>          |  | <p>Small businesses that opt to claim this credit will not be allowed to apply for the new Paycheck Protection Loans and employers that apply for small-business loans would not receive the credit.</p> <ul style="list-style-type: none"> <li>• <b>Note:</b> The credit is limited to <u>50% of “qualified wages”</u> with a <u>maximum amount of \$10,000</u> of compensation per employee (including health benefits paid to the employee)</li> </ul>   |
| <p>Qualified Wages</p>      |  | <ul style="list-style-type: none"> <li>• For each quarter that a business is eligible, the business will receive a refundable credit against its 6.2 percent (Social Security and Railroad Retirement) employer portion of the payroll tax equal to 50 percent of “qualified wages” paid. The amount of qualified wages per employee for all quarters cannot not exceed \$10,000.</li> <li>• If the business had more than 100 employees in 2019, the qualified wages are limited to only those wages paid by the employer during the quarter for the period of time when the business was shut down.</li> <li>• If the business had fewer than 100 employees in 2019, the qualified wages include wages paid when the business was shut down but also wages paid during each quarter where there was a sharp decline in year-over-year receipts (as described below).</li> </ul> |
| <p>Other Considerations</p> |  | <p>The credit is refundable, meaning if it exceeds the business’ liability for payroll taxes any remaining amount would still be paid in full</p>   |

# Navigating the CARES Act Together



Grande wants to ensure that they and their partners have the right information available to fully utilize the tangible benefits of the CARES Act via the Payroll & Self-Employment Tax Postponement Program



## Taking action: Resource guide to enable success

04 Employee Retention Credit & Payroll Tax Postponement

## Payroll & Self-Employment Tax Postponement

|                      |   |   |
|----------------------|---|---|
| Eligibility          |  | As with the Employee Retention Credit, the 6.2% Social Security tax postponement will extend to larger businesses as well ( <i>no employee size limitations apply</i> )<br>Similarly, a self-employed taxpayer can defer 50% of his or her self-employment tax that would be due                |
| Covered Period       |  | The “covered period” will include the 6.2% social security tax to be paid from the date of CARES enactment through December 31, 2020  |
| Due Dates            |  | Payments for the social security tax during the covered period will be deferred accordingly: <ul style="list-style-type: none"><li>• 50% to be paid December 31, 2021</li><li>• 50% to be paid December 31, 2022</li></ul>  |
| Other Considerations |  | Despite payroll taxes not being paid until the above due dates, eligible parties will still receive an immediate credit against them via the sum of: <ul style="list-style-type: none"><li>• The emergency medical leave credit, sick leave credit, and new employee retention credit</li></ul> |
| Limitations          |  | Similarly, the constraints placed on the Employee Retention Credit will apply here: <ul style="list-style-type: none"><li>• Those taking out a Payroll Protection Loan and receiving loan forgiveness will not be eligible to receive the payroll tax deferral</li></ul>                        |

# Navigating the CARES Act Together - Resource Guide



*Grande wants to ensure that they and their partners have the right information available to fully utilize the tangible benefits of the CARES Act via the Additional Tax Provisions*

05

Other Tax Provisions



**Taking action: Resource guide to enable success**

## Additional Tax Provisions

|                                       |  |  |
|---------------------------------------|--|--|
| <p>Net Operating Losses</p>           |  | <p>Reversal of Tax Cuts and Jobs Act (TJCA) revisions:</p> <ul style="list-style-type: none"> <li>Losses from 2018, 2019, and 2020 will be permitted to be carried back for up to five years; as previously, the taxpayer is also permitted to forgo the carryback and instead carry the loss forward</li> <li>Losses carried TO 2019 and 2020 will be permitted to offset 100% of taxable income (as opposed to the revised 80%)</li> </ul>   |
| <p>Interest Limitations</p>           |  | <p>Reversal of Tax Cuts and Jobs Act (TJCA) revisions of Section 163(j):</p> <ul style="list-style-type: none"> <li>Increasing the limit of deductible interest expense to 50% (up from 30%) of adjusted taxable income (ATI)</li> <li>Given likely reduced revenue, ATI from 2019 can be used to calculate the interest limitation for 2020</li> <li><b>Note:</b> a partnership does get to use the 50% limit of ATI from 2019; rather, any disallowed interest will be passed and suspended at the partner level</li> </ul>  |
| <p>Qualified Improvement Property</p> |  | <p>Addresses a technical error made in the TJCA for “qualified improvement property” (QIP - generally defined as any improvement made to the interior portion of a nonresidential building after the building was placed in service):</p> <ul style="list-style-type: none"> <li><b>Note:</b> the provision in TJCA allows immediate depreciation deduction for property with a life of 20 years or less</li> <li>Changes QIP depreciable life to 15 years (down from 39)</li> <li>Changes to QIP depreciable life are <u>retroactive to January 1, 2018</u> → taxpayers may file an amended return</li> </ul> |
| <p>AMT Credits</p>                    |  | <p>Modifies TJCA repeal for the credit for prior year minimum tax liability of corporations:</p> <ul style="list-style-type: none"> <li>The provision now accelerates the ability of companies to recover AMT tax credit, permitting companies to claim the refund now for additional cash flow (originally refundable over several years, ending in 2021)</li> </ul>  |
| <p>Excise Tax</p>                     |  | <p>Temporary exemption from excise tax for alcohol used to produce hand sanitizer:</p> <ul style="list-style-type: none"> <li>Waiving any federal excise tax on distilled spirits that are used for or contained in hand sanitizer that is produced and distributed in a manner consistent with guidance by the FDA</li> <li>Effective only for calendar year 2020</li> </ul>  |

# Navigating the CARES Act Together



*Grande wants to ensure that they and their partners have the right information available to fully utilize the tangible benefits of the CARES Act via the Individual Benefits listed in the program*



## Taking action: Resource guide to enable success

Individual Benefits

06

## Individual Benefits

|                               |   |  |
|-------------------------------|---|--|
| Individual Stimulus Payments  |  | <p>The “2020 recovery rebate for individuals”:</p> <ul style="list-style-type: none"> <li>• \$1,200 if single, \$2,400 if married filing jointly PLUS \$500 for each child under the age of 17</li> </ul> <p>Eligibility &amp; Phase-Outs:</p> <ul style="list-style-type: none"> <li>• Determining those receiving payment will be through your 2019 return, 2018 return or social security statement</li> <li>• You will lose \$5 of your payment for every \$100 over AGI thresholds (\$75,000/single, \$150,000/married)</li> </ul>  |
| Retirement Fund Distributions |  | <p>Allows the taxpayer to take a “coronavirus-related distribution” of up to \$100,000 in 2020 free from the (10%) penalty</p> <ul style="list-style-type: none"> <li>• Coronavirus-related distributions” are confined to an individual: who is diagnosed with COVID-19 or SRS-COV-2 by a test approved by the CDC, whose spouse or dependent is diagnosed with the diseases, or who experiences adverse financial consequences through being quarantined/furloughed/laid-off/reduced work hours</li> <li>• Allows the distribution income to be spread over 3 tax years (2020, 2021, 2022) OR</li> <li>• Repayment of the distribution before 3 years to avoid income recognition</li> </ul> |
| Charitable Contributions      |  | <p>The CARES Act allows individuals to make a cash contribution (up to \$300) to qualifying charities as an “above-the-line” deduction in computing adjusted gross income (AGI):</p> <ul style="list-style-type: none"> <li>• Only available to taxpayers who take the standard deduction rather than itemize</li> <li>• For those who itemize, the Act temporarily lifts the limits on charitable giving for 2020 - up to 100% of AGI (up from 60%) with any excess available to be carried forward over the next five years</li> </ul>   |
| Student Loan Exclusions       |  | <p>Generally, debt paid on your behalf is taxable income (“Cancellation of Debt” - COD); as part of CARES, employers can pay up to \$5,250 in 2020 of an employee’s student loan obligation tax free</p> <ul style="list-style-type: none"> <li>• Modifies Section 127 - which permits an employer to pay up to \$5,250 of an employee’s qualified educational expenses (e.g. getting a Masters) and now <b>combines the limit for both</b></li> <li>• <u>Note:</u> to the extent interest is paid tax-free on a student loan, the employee may not deduct that interest</li> </ul>  |
| Individual Business Losses    |  | <p>Temporary and retroactive removal of Section 461(l) of the TJCA:</p> <ul style="list-style-type: none"> <li>• Removing the limitation of using business losses to offset other sources of income (TJCA placed the cap at \$250,000/single and \$500,000/married)</li> <li>• Retroactive to January 1, 2018 → Taxpayers originally limited may now file amended returns</li> <li>• <b>Note:</b> For 2021 and beyond, wages will NOT be considered business income</li> </ul>   |

# Navigating the CARES Act Together



## Source Links:

- <https://www.congress.gov/bill/116th-congress/senate-bill/3548/text>
- [https://www.sba.gov/sites/default/files/Small%20Business%20Act\\_o.pdf](https://www.sba.gov/sites/default/files/Small%20Business%20Act_o.pdf)
- <https://www.sba7a.loans/eligibility-and-qualifications-for-the-sba-7a-loan>
- <https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>
- <https://www.natlawreview.com/article/inside-cares-act-loan-payment-subsidies-certain-loans-part-cares-act-2020>
- <https://home.treasury.gov/system/files/136/PPP%20Borrower%20Information%20Fact%20Sheet.pdf>
- <https://www.sba.gov/page/disaster-loan-applications>
- <https://home.treasury.gov/system/files/136/PPP%20Borrower%20Information%20Fact%20Sheet.pdf>
- <https://www.forbes.com/sites/anthonymitti/2020/03/25/congress-reaches-agreement-on-a-coronavirus-relief-package-tax-aspects-of-the-cares-act/#6be6cf745f99>
- <https://www.foley.com/en/insights/publications/2020/03/sba-loans-under-the-cares-act>
- <https://www.whitecase.com/publications/alert/faqs-payroll-protection-program-ppp-under-cares-act-small-business-friends>
- <https://repparkhurst.com/2020/03/29/qa-on-the-cares-act-for-businesses/>
- <https://www.adp.com/spark/articles/2020/03/covid-19-emergency-legislation-offers-substantial-relief-to-employers.aspx#>

# Navigating the CARES Act Together



## Disclaimer

*This presentation is for information purposes only, and you should not rely on this presentation as the basis to make any decision. We have not independently verified this information or analysis, and we make no representation or warranty regarding the accuracy of this information or analysis. All information is subject to change, and we have not undertaken to update this information. This information does not constitute and should not be relied upon as legal, investment or tax advice. Please consult your appropriate advisers before taking any action. The contents of this presentation are based on publicly available information and the analysis of our audit partners.*