

GROWERTALKS

COVID-19

4/16/2020

A First Look at Coronavirus Survival

Mark E. Battersby

The Family First Coronavirus Response Act (FFCR) that became law earlier in March, the numerous actions taken by the Administration and the largest economic relief bill in U.S. history, the Coronavirus Aid, Relief and Economic Security (CURES) Act are helping ease the current crises. The most well known provisions of the CURES Act will provide one-time direct payments to Americans of \$1,200 per adult with income below a \$75,000 ceiling, \$2,400 per married couples and \$500 per child. Above the ceiling, payments would be gradually reduced before reaching the maximum \$100,000 limit.

Businesses, large and small, will also benefit from the many newly-created programs. Of particular interest to growers and retailers are CARES Act programs and funding designed to help every business weather the financial impact of the coronavirus pandemic, including:

- **Paycheck Protection Loans:** The CARES Act earmarks \$349 billion for loans to small businesses—to be spent on rent, payroll and utilities treated as a grant that does not have to be repaid. The SBA will guarantee loans of up to \$10 million, with terms of up to 10 years and interest rates of up to 4% to growers and retailers with fewer than 500 employees. The actual loans will be provided by lenders, including banks and credit unions. Eligible businesses can get loan deferment for six months to a year with the loan forgiven if the business maintains its payroll for eight weeks at employees' normal salary levels.
- **Expanded Economic Injury Disaster Loans:** The SBA has provided expanded access to working capital loans of up to \$2 million to small businesses impacted by coronavirus. These loans carry an interest rate of 3.75% with loan terms that vary by applicant, up to a maximum of 30 years. The expanded program for sole proprietors and businesses with fewer than 500 employees doesn't require personal guarantees on loans under \$200,000, while payments can also be deferred for up to four years.
- **Emergency Grants:** SBA Economic Injury Disaster Loan applicants can qualify for grants of up to \$10,000 to be used to provide employee sick leave, maintain payroll or meet other needs such as paying rent—even if denied a loan.
- **Tax-related provisions** such as the increase in the deduction ceiling for the amount of business interest from the 39% level created by the Tax Cuts and Jobs Act (TCJA) to 50%.
- There's also new, greater flexibility for growing businesses to deduct losses—all losses—against taxable income. Unfortunately, there's no change to the rule preventing Net Operating Losses (NOLs) from being carried back to previous years to produce a refund of previously paid taxes. The NOL

carryforward is still viable.

- Approximately \$200 billion in tax assistance will be provided to small businesses, much of it through delays for the payment of payroll taxes typically paid by employers on workers' wages. The 6.2% tax on wages normally paid would instead have to be paid over the next two years.
- The new law allocates \$250 billion to expand unemployment insurance to more workers and lengthen the duration to 39 weeks (up from the normal 26 weeks). \$600 extra each week would be provided to each unemployed individual for four months.
- The CURES Act contains a new program, Pandemic Unemployment Assistance, specifically for the self-employed and contract workers who are typically ineligible for unemployment benefits.
- To help bring back workers already laid off, the eight weeks of unemployment assistance would be retroactive to February 15, 2020.
- Also provided are incentives for work-sharing and a program to cover a portion of lost wages for workers whose hours have been reduced, all designed to incentivize businesses to retain workers by employing them for less time.

Although the March 15 tax filing deadlines for many businesses has passed, individuals now have until July 15 to file tax returns. Plus, if money is owed to the IRS, delayed payments will be interest and penalty-free for 90 days.

Our lawmakers and the Administration continue drafting additional measures that will help blunt the economic fallout from the coronavirus pandemic. However, as always, the ever-changing response to this pandemic and the complexity of the rules when dealing with its economic impact make professional assistance advisable.