

COVID-19 Legislation: What Businesses & Self-Employed Should Know

Updated June 29, 2020

These provisions of coronavirus-related legislation may be helpful for businesses, including self-employed individuals, who are navigating the COVID-19 outbreak.

Paycheck Protection Program (PPP). The PPP is the cornerstone of the \$2 trillion CARES Act, and borrowers have been provided increased flexibility in how and when they use the funds thanks to the PPP Flexibility Act. Through the PPP, small business owners can apply for loans up to \$10 million, which can be used for eligible payroll costs, and maintain certain operating expenses. PPP loans may minimize the number of unemployed persons by helping small business owners make payroll for at least eight weeks. The PPP loan may be forgiven, in whole or in part, if borrowers meet certain requirements. To maximize the amount of loan forgiveness, no more than 40% (down from 25%) of the loan forgiveness may be attributable to eligible non-payroll. Borrowers who use less than 60% of PPP funds for payroll costs will only be eligible for partial loan forgiveness. If not forgiven, the loan is payable over five years (two years for those loans made before the June 5, 2020, date the PPP Flexibility Act was passed, unless the borrower and lender agree to extend the maturity period to five years) at a 1% interest rate. Visit the [PPP loan forgiveness application](#) and instructions for more information.

Note, PPP borrowers may engage the services of an accountant to track the use of their PPP funds. However, only the borrower or an authorized representative who is legally authorized to make certifications on the borrower's behalf may submit an application for loan forgiveness. Accountants should be aware of this limitation and ensure that an authorized representative of the borrower understands his or her obligation to complete, review, and certify to the contents of any loan forgiveness application.

Economic Injury Disaster Loan (EIDL). The CARES Act expanded the SBA's EIDL loan program to meet the financial needs of struggling small business owners and other eligible applicants affected by COVID-19. Eligible applicants can apply for working capital loans of up to \$2 million and use funds to pay fixed debts, cover payroll, and pay other bills they could not otherwise pay due to coronavirus. The EIDL interest rate is 3.75% for small businesses and 2.75% for non-profits, to be paid back over a 30-year term. These business owners can also apply for an EIDL emergency advance of up to \$10,000. You can apply for a PPP loan as well as an EIDL loan, but you cannot use the funds from the loans for the same expenses. In particular, a PPP loan will need to be used to refinance an EIDL loan if the EIDL loan was used for payroll costs. The amount of any EIDL advance will also be deducted from a PPP borrower's loan forgiveness amount.

SBA debt relief. The SBA is offering relief for existing disaster loans as well as 7(a), 504, and microloans. Visit sba.gov for more information.

Employee Retention Credit (ERC). An eligible employer that continues to pay employees on the payroll during a closure is entitled to a refundable payroll tax credit for up to 50% of the qualified wages paid to eligible employees in a calendar quarter. Eligible wages per employee max out at \$10,000, so the maximum credit for eligible wages paid to any employee during the qualifying period is \$5,000. The credit applies to wages paid after March 12, 2020, through Dec. 31, 2020. This is available to eligible businesses that face a slow-down or shut down in business due to COVID-19. There's no paperwork or application to file beyond the regular payroll tax filings, and there's no waiting period. This credit is not available to businesses that receive a PPP loan.

Delay of Social Security payroll tax payment for employers. Employers, including the self-employed, can delay the payment of the employer portion of the 6.2% Social Security payroll tax for the remainder of the year and pay back the liability over the next two years - half at the end of 2021 and the remaining half at the end of 2022.

Tax credits for required paid leave. Businesses are provided with tax credits to cover certain costs of providing employees with required paid sick leave and expanded family and medical leave for reasons related to COVID-19, from April 1, 2020, through Dec. 31, 2020. Eligible employers will claim the credits on their federal employment tax returns, but they can benefit more quickly from the credits by reducing their federal employment tax deposits.

Qualified Improvement Property. The CARES Act fixes a glitch in the Tax Cuts and Jobs Act, giving Qualified Improvement Property (tenant improvements to commercial spaces) a 15-year useful life and accompanying qualification for 100% bonus depreciation and Sec. 179 expensing. This is retroactive to 2018.

NOL modifications. Thanks to the CARES Act, losses incurred in 2018, 2019, and 2020 can be carried back up to five years, and loss carrybacks and carryovers can offset 100% of taxable income until 2021.

Are you interested in taking advantage of some of these benefits? You can evaluate if you may be eligible for federal relief funding with [Intuit® Aid Assist](#).

Note: The Paycheck Protection Program Flexibility Act ("PPP Flex Act") was signed into law on June 5, 2020. The PPP Flex Act extends the availability of loans under the Paycheck Protection Program (PPP) and adjusts certain rules applicable to PPP loans. The information reflected here may therefore be outdated. We are working to update our resources to reflect these updates to the PPP, so be sure to check back soon. Please refer to the latest guidance from the [SBA](#) and [Treasury](#) to confirm current program rules and how they apply to your particular situation.

PPP borrowers may engage the services of an accountant to track the use of their PPP funds. However, only the borrower or an authorized representative who is legally authorized to make certifications on the borrower's behalf may submit an application for loan forgiveness. Accountants should be aware of this limitation and ensure that an authorized representative of the borrower understands his or her obligation to complete, review, and certify to the contents of any loan forgiveness application.

The funding described is made available to businesses located in the United States of America and are not available in other locations.

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