



LAW ALERT

March 26, 2020

RMF
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Smart Counsel. Straight Talk.

BORROWING UNDER THE CARES ACT

Congress is in the process of enacting the most significant economic bailout package in United States history. While still subject to modification, many of the provisions are likely to remain intact, particularly with respect to government lending to small businesses (those with less than 500 employees). The available funding for this aspect of the bailout is limited to \$349 billion and there will no doubt be many businesses looking to take advantage of the opportunity. So just what can this aspect of the law do for your business?

The basic concept is a loan guaranteed by the federal government under an expanded Small Business Administration Program. Loans can be up to \$10 million, repayable over a period of up to 10 years. The window for loans is February 15 - June 30. Loan proceeds can be used to fund payroll expense of employees earning up to \$100,000 annually, associated employee benefits, rent, utilities and interest on certain mortgage payments. The expenses must be incurred in an 8 week period starting with the date of "the origination of a covered loan."

There is a "forgiveness of loan" concept tied to retained employment. The amount of forgiveness can equal the amount of the loan provided all criteria is met. THE FORGIVENESS IS REDUCED BY A FORMULA IF THE AMOUNT OF EMPLOYEE SALARY REDUCTION IS GREATER THAN 25%. Eligible employees for the forgiveness are ONLY those who earned less than \$100k in 2019. A rehire within 30 days of enactment would be eligible for the forgiveness. The forgiveness would not be treated as part of gross income.

These are some of the more salient points in the pending legislation. We will continue to monitor these and other aspects of the legislation. If there is an interest in pursuing a financing we are prepared to assist.

STAY STRONG AND HEALTHY AND TOGETHER WE SHALL PERSEVERE.....