Stimulus Package

The White House and Senate leaders came to an agreement on the Stimulus Bill on Wednesday, March 25, 2020, in an effort to stabilize the American economy during the COVID-19 crisis. This $2 trillion bill will rush aid to citizens, businesses and the healthcare system. The bill will not become law until the U.S. House of Representatives votes on it in the days ahead, but most observers believe it will be enacted without change and sent to the President for his signature.

This bill will provide Americans with a onetime direct payment based on income levels. Adults making $75,000 annually or less can expect to receive $1,200. Those payments would phase out and end for those making $99,000 annually. Married couples making $150,000 annually can expect to receive $2,400. There will also be $500 of aid provided per child.

Payroll Tax Relief

Who’s Eligible: Businesses that continue to employ workers through the coronavirus crisis.

This bill also includes a $367 billion program for small businesses to help them continue to make payroll. Under this agreement, businesses that retain employees and cover 50 percent of their paychecks would be eligible for a tax credit. This includes businesses that have been ordered to close as long as they keep workers employed throughout the crisis. However, it is important to note that employers who apply for small business loans will NOT receive the credit.

Companies would also be able to defer payment of the payroll tax so they can continue to pay employees. They would pay 50% in 2021 and the other 50% in 2022.

Small Business Interruption Loans

Who’s Eligible: To determine a small business’s eligibility, the CARES Act would require lenders to determine: (1) whether a business was operational on February 15, 2020, and (2) whether the business had employees for whom it paid salaries and payroll taxes, or paid independent contractors and (3) whether the business has been substantially impacted by COVID-19. The entities eligible include small businesses, nonprofits and veteran organizations with 500 or fewer employees.

The 7(a) loan program, also known as the CARES Act, is the primary program for providing financial assistance to small businesses. Through the 7(a) loan program, businesses could receive up to a $10 million loan that could be used for payroll support (including paid sick or medical leave), employee salaries, mortgage payments, insurance premiums and other debt obligations. The loan period for this program would begin on February 15, 2020, and end on December 31, 2020.