

The Automotive Aftermarket's Only Independent News Source!!

THE GREENSHEET

Auto Care Week

Auto Care Association Outlines Aid Available In Response To Coronavirus

04/06/2020

In an [April 1 member alert](#), the **Auto Care Association** discussed key loans available to small businesses, noting that Congress is providing billions of dollars for small business loans and credits to help employers keep employees on the payroll. The association provided information on two programs: the Paycheck Protection Program and Economic Injury Disaster Loans.

Businesses with 500 or fewer employees qualify as a small business for the purpose of these loans. The association's guidance is as follows ...

Paycheck Protection Program (PPP): If you are a small business going through hardship right now, securing a PPP loan should be your focus. Qualifying entities are eligible for up to 250% of their average monthly payroll cost during the period between Feb. 15, 2020 to June 30, 2020. The loan amount is capped at \$10 million. These loan amounts can be used for employee compensation, annual or sick leave, payment of retirement benefits, payroll taxes, and payment of interest on mortgage obligations, rent, utilities and interest on pre-existing debt obligation.

What makes the PPP program particularly advantageous is that your loan may be forgiven by the federal government. The federal government will forgive 8 weeks of covered expenses to help you and your business. For any remaining amount not forgiven, the maximum loan term is 10 years and the maximum interest rate is 4%.

It is important to note that the amount of your loan will be reduced if there is a reduction in staff or if you've reduced salaries by more than 25%. The good news is this: If you take action before June 30, 2020 to bring those employees back on payroll, and/or restore salaries that had been cut by more than 25%, then you can ensure that you will receive your maximum loan forgiveness.

We encourage our members to contact their SBA-approved lenders as soon as possible to discuss your cash flow needs and start gathering documentation to apply for a PPP loan.

Economic Injury Disaster Loans (EIDL): Prior to the creation of the PPP program, the Coronavirus Preparedness and Response Supplemental Appropriations Act, which was Phase I of the virus legislation actions, declared that coronavirus is deemed a "disaster" for eligibility purposes of Economic Injury Disaster Loans (EIDL).

EIDL are low-interest loans of up to \$2 million that are available to pay for expenses that could have been met had the disaster not occurred. Unlike the PPP loans, EIDL are not restricted to covering expenses for the period of time from Feb. 15 to June 30. Within this program, there is a \$10,000 grant that does not have to be repaid to provide small businesses with quick, much-needed capital. The \$10,000 will be disbursed within three days of receiving the EIDL application. You may apply for an EIDL directly with the SBA.

It is important to note that this EIDL grant will be taken into consideration when calculating an entity's PPP loan forgiveness amount. Further, you cannot use two SBA loans for the same purpose. For example, if you use your PPP to cover payroll for the 8-week covered period, you cannot use a different SBA loan product, such as an EIDL, for payroll for those same costs in that period. If an entity has already applied for the EIDL, they may convert it into a PPP loan for a limited period of time.

On April 3, the Auto Care Association issued [a member alert](#) about benefits that Congress has extended to businesses irrespective of size. It noted that the U.S. Department of the Treasury should be publishing additional guidance on these provisions in the near future.

Employee Retention Credit: For employers who either do not, or cannot, participate in the Payroll Protection Program (PPP), one alternative is the employee retention credit. Qualified employers are allowed a credit against applicable payroll taxes for each calendar quarter in the amount equal to 50% of the qualified wages paid to each employee, not to exceed \$10,000. Qualified employers must have either had their operations fully or partially suspended due to COVID-19, or their gross receipts declined by 50% or more compared to the same calendar quarter the prior year. If your business has more than 100 fulltime employees, qualified wages are those paid to employees when they are not able to work. If your business has fewer than 100 fulltime employees, then employee wages qualify for the credit, irrespective of whether the employee is working.

Delay of Payment of Employer Payroll Taxes: Employers are allowed to defer their 6.2% share of the social security tax that they are otherwise responsible for paying. This deferred tax will instead be paid in two parts: the first half will be due Dec. 31, 2021 and the second half will be due Dec. 31, 2022.

Modifications for Net Operating Losses: Allows a net operating loss arising in 2018, 2019 or 2020 to be carried back five years. This provision also temporarily removes the taxable income limitation to allow a net operating loss to fully offset income. These provisions are aimed at providing cash flow and liquidity.

Modification of Credit for Prior-Year Minimum Tax Liability of Corporations: Accelerates the ability of companies to recover alternative minimum tax credits.

Modification of Limitation on Business Interest: The amount of interest expense that businesses are allowed to deduct on their tax returns is increased from 30% to 50% of taxable income (with adjustments) for 2019 and 2020.

Advance Refunding of Credits: Small business employers who are eligible for a payroll tax credit for the sick leave and family leave that they paid pursuant to the Families First Coronavirus Response Act may receive an advance of that credit from the Treasury.

Loans for Mid-Sized Businesses: The Treasury Department shall endeavor to create a loan program for U.S.-domiciled businesses between 500 and 10,000 employees to retain at least 90% of their workforce, with full compensation and benefits through September 2020. Annualized interest rates should be not higher than 2% and no principal or interest should be due or payable for at least the first six months. Additional restrictions, like not offshoring jobs for the term of the loan, may apply.