

**The Coronavirus Aid, Relief and Economic Security (CARES) Act of 2020 Briefing:**  
**Unemployment, Loans & Grants, Tax Benefits**

**A. UNEMPLOYMENT**

The CARES Act of 2020 establishes 3 new temporary unemployment-insurance programs:

1. **Pandemic Unemployment Assistance (PUA)** - Provides 100% federally funded unemployment benefits for individuals who are unemployed for specified COVID-19-related reasons and are not covered by a state's regular unemployment insurance program, the extended benefit (EB) program under Illinois law, or the Pandemic Emergency Unemployment Compensation program (PEUC), including self-employed sole proprietors. Up to 39 weeks' worth of benefits are potentially available under the program for COVID-19-related unemployment claims arising on or after January 27, 2020 and continuing through the week ending December 26, 2020. The program is intended to be similar to the federal Disaster Unemployment Assistance program, which provides unemployment benefits in response to local disasters.

**TIME FRAME:** IDES is contracting with Deloitte to implement and maintain a web-based solution for PUA. Deloitte has been building a PUA system for Colorado, and it will be modified to fit Illinois law. We estimate that a contract can be finalized within three weeks, with the system going live no earlier than June 1, 2020.

2. **Pandemic Emergency Unemployment Compensation (PEUC)** - Provides up to 13 weeks' worth of 100% federally funded benefits to individuals who have exhausted their rights to regular state unemployment benefits (up to 26 weeks in Illinois), assuming that: (1) the EB program provided for in Illinois law is not in effect; or (2) the Governor has, by executive order, required PEUC to be paid before EB. PEUC is potentially available for weeks beginning on or after March 29, 2020 and continuing through the week ending December 26, 2020.

**TIME FRAME:** IDES is waiting for USDOL guidelines to be issued regarding PEUC. Once that occurs, we believe this program can be implemented through the current IDES computer system within three weeks of the issuance of the guidance. *As of today, April 8, 2020, guidance has not yet been issued.*

3. **Federal Pandemic Unemployment Compensation (FPUC)** - Provides an additional \$600 each week in 100% federally funded benefits to anyone entitled to regular state unemployment benefits, PEUC, PUA, EB, or certain other specialized unemployment benefits. FPUC is potentially available for weeks beginning on or after March 29, 2020 and continuing through the week ending July 25, 2020.

**TIME FRAME:** FPUC was implemented and the funds began being disbursed the week starting April 5, 2020, which was the first week the federal legislation allowed FPUC to be paid.

**B. GRANT AND LOAN PROGRAMS – 2 IN TOTAL**

1. **Paycheck Protection Program – New Program**

\$349 billion nationwide will be available in SBA loans to businesses impacted by COVID-19. The loans can pay for wages paid to employees, payment of cash tips, health insurance premiums, mortgages, rents, utilities, and payroll taxes. The loans can be retroactive for expenses dating back to February 15, 2020 and will run until June 30, 2020.

- *Who's eligible?* In addition to small businesses, eligible entities include 501 (c)(3) nonprofits, 501 (c)(19) veterans organizations, or Tribal business concerns under 500 employees. Importantly, sole proprietors, independent contractors and eligible self-employed individuals are also eligible. *Additional eligibility requirements:*
  - If your business is in an industry that has an employee-based size standard through the [SBA that is higher than 500 employees is eligible](#).
  - If your business has less than 500 employees per physical location that is a restaurant, hotel or business and falls in the NAICS 72 category.
  - Certain affiliate rules are waived for businesses that are assigned a NAICS code beginning with 72 and [a SBA franchise](#).
  - 501 (c)(3) Nonprofits are subject to the [SBA's affiliation standards](#).
    - The SBA released additional guidance on Friday, April 3<sup>rd</sup> for faith-based organizations, exempting them from affiliation standards.
  - Applicants have been in operation on February 15, 2020 and have paid salaries and payroll taxes or independent contractors. The applicant must certify the loan is necessary and funds will be used to retain workers, maintain payroll or pay rent, mortgage or utility bills and they are not receiving any other loan for the same purpose through December 31, 2020.
  
- *How it's different from other loans?* It's designed to help pay for expenses during the COVID-19 crisis, but importantly loans are eligible for loan forgiveness equal to the amount spent on payroll costs, mortgage, rent, utilities (forgivable covered costs) during the eight-week period following a Paycheck Protection Program loan issuance.
  - *How can we get loan forgiveness?* Forgiveness is eligible for those employers that retain or rehire laid off employees between February 15 – June 30, 2020. Loan forgiveness amount is reduced if employee's wages are reduced or number of employees reduced.
  - *Can the loan be used for other expenses?* In addition to forgivable costs, loan funds can be used for other business-related expense, like inventory. Balances after the forgivable costs will have a maximum interest rate of 4% and a maximum maturity of 10 years.
  - Applicants do not need to provide a collateral or personal guarantee for a Paycheck Protection loan and do not need to show they cannot obtain credit elsewhere.
  
- *How do I apply?* Borrowers may file applications directly with a registered SBA lender or federal insured depository institution, federally insured credit union, and Farm Credit System that is participating. The U.S. Treasury [released the application](#) on March 31, 2020.
  - Starting April 3<sup>rd</sup>, small businesses and sole proprietors can apply for PPP loans. On April 10<sup>th</sup>, independent contractors and self-employed individuals can apply.
  - You can call your local bank or find SBA-approved lenders in your area through SBA's online [Find a Lender tool](#). You can also refer to this list of [active lenders in Illinois](#). Your local [Small Business Development Center](#) or [Women's Business Center](#) can also provide assistance and guide you to lenders.
  - Lenders have been delegated authority to make loans without SBA review. Lenders have 60 days to review and make a determination with respect to loan forgiveness.

- Application deadline is June 30<sup>th</sup>, 2020.
- *When is the loan forgiven?* The loan is forgiven at the end of the 8-week period after you take out the loan. Borrowers will work with lenders to verify covered expense and the proper amount of forgiveness. Borrowers can choose which 8 weeks they want to count towards the covered period, which is between February 15 – June 30, 2020.
- *When will I have to pay the loan back?* For terms of the loan not forgiven, there is a deferment of loan payments at least six months and up to one year. The terms of the loan may differ on a case-by-case basis.
- *Will this impact my taxes?* Loan forgiveness amount is excluded from taxable gross income.

Where can I find more information?

- The SBA has set up a call center for lenders having issues related to PPP. Should you receive calls, the number is 833-572-0502.
- The SBA and U.S. Treasury [released the interim final rules](#) on April 2<sup>nd</sup>, which includes guidance for the program.
- Please see the U.S. Treasury’s [Assistance for Small Businesses](#) page. The website also includes detailed information and one-pagers for lenders, borrowers, a top-line overview of the program, and the application for borrowers. Continue to check back as more information becomes available.
- SBA Website: The [SBA COVID-19 response website](#) continues to be updated as more information becomes available. Continue to check back as more information becomes available.

**2. Economic Injury Disaster Loans (EIDL) – Advance Grants**

- *Who’s eligible?* In addition to small businesses under 500 employees, private nonprofit organizations, including faith-based organizations, small agricultural cooperatives, a cooperative with less than 500 employees, a tribal small business concern under 500 employees, ESOP under 500 employees, any individual who operates under a sole proprietorship, with or without employees, or as an independent contractor.
  - Private nonprofit organizations are not defined for purposes of EIDL loans, but elsewhere in the Act “nonprofit organization” is defined as a 501c3. It’s not clear whether other types of nonprofits are eligible, such as trade associations.
- *What is it?* In addition to the existing loan EIDL program, emergency advance grants will be available up to \$10,000 to provide immediate relief for small business operating costs for entities that apply for an Economic Injury Disaster Loan.
  - Applicants may receive this advance while applying for a Paycheck Protection loan. If the applicant receives the Paycheck Protect loan, the amount of the advance will be subtracted from the loan forgiveness amount for payroll costs.
  - Applicants DO NOT need to repay the advance if they are denied a loan.
  - Requirements to prove a personal guaranty and for applicants to demonstrate they are unable to obtain credit from other sources are waived.
- *How long do I have to apply?* Loans will be made available until December 31, 2020.
- *How to apply?* Applicants apply directly to the SBA. The SBA is working to implement the provision to allow for EIDL advance grants. The SBA advises businesses to apply for a full EIDL

but will need to apply for the advance when the system is updated with an application. [Check back at the SBA's Disaster Website for more information.](#)

\*Please note: businesses CANNOT receive an economic disaster loan and a Paycheck Protection Program loan for the same purpose. If you take advantage of an emergency EIDL grant advance up to \$10,000, that amount is subtracted from the amount forgiven up to the Paycheck Protection loan. Businesses can also refinance an EIDL into the Paycheck Protection loan for loan forgiveness purposes. Remaining portions of the EIDL, for purposes other than those laid out in loan forgiveness for a Paycheck Protection loan, remain a loan. \*

## **C. TAX INFORMATION – 2 ITEMS IN TOTAL**

### **1. Employee Retention Credit**

[The U.S. Treasury and IRS launched the Employee Retention Credit on March 31, 2020.](#) Eligible entities can receive a refundable payroll tax credit for 50% of up to \$10,000 in qualified wages for retaining idled workers on their payrolls during the COVID pandemic.

Qualified wages are based on the average number of a business's employees in 2019. If the employer had more than 100 employees on average in 2019, then the credit is allowed only for wages paid to employees who did not work during the calendar quarter. For eligible employers with under 100 employees, all employee wages qualify for the credit. The credit is capped at the first \$10,000 of compensation, including health benefits. The provision is effective for wages paid or incurred from March 12, 2020 to January 1, 2021.

#### Who is eligible?

Employers regardless of size and tax-exempt organizations under 501(c) of the IRS, whose operations were fully or partially suspended due to a government shut-down order or gross receipts declined by more than 50% compared to the same quarter the previous year.

\*Small businesses who take a Paycheck Protection Program loan are not eligible for this tax credit. \*

#### How do I receive the credit?

[See FAQ from the U.S. Treasury](#) under "I am an eligible employer. How do I receive my credit?"

Interested businesses should continue to reference the [IRS for updated guidance.](#)

### **2. Delay Payment of Employer Payroll Taxes**

All employers and self-employed individuals may defer the 6.2% employer share of Social Security taxes for two years. Fifty percent of the deferred payroll taxes are due on December 31, 2021, and the remaining amounts are due on December 31, 2022.