

escalon 

COVID-19
Review and
Government
Support

COVID-19

- Review
- Federal
 - SBA Loans
 - Payroll Related
 - Other
 - Families First Coronavirus Response Act
- State
 - New York
 - California
- Private Aid
- Key Considerations



Review – Likely Scenario

- US economy likely to remain in some form of lockdown for the next 6 to 10 weeks
- Expecting decline of 25% in Q2 US GDP
- In the next 2-3 months, many people will get sick. But at some point, people will start to develop immunity
- Potential major disruption for a couple months, followed by a recession for 12-18 months
- Plan for a restart by Memorial Day or even Independence Day
- Not everything is doom and gloom: **Major shocks are always an opportunity to build and rebuild**



Federal Support: Loans

- **Economic Injury Disaster Loan (EIDL) Program**
 - Section 7(b)(2) of the Small Business Act
 - Up to \$2M
 - Interest rate 3.75%
 - Maturity 30 years
 - No personal guaranty under \$200K
- **Payroll Protection Plan (Under the CARES ACT)**
 - Subsection 36 of Section 7(b)(2) of the Small Business Act
 - Up to 250% of monthly payroll cost but not more than \$10M
 - Interest not to exceed 4%
 - Maturity 10 years
 - No personal guaranty
 - In some cases, debt can be subject to forgiveness



Federal Support: Payroll Related

- **Section 2301 incentivizes employers to keep idle workers on their payrolls via tax credits**
 - If an employer keeps an employee on the payroll, they are entitled to a tax credit on employment taxes of half of what they spend on wages with a cap of \$10K
 - Need to show a 50% revenue decline vs. same quarter last year
 - Not applicable if applied to loan under subsection 36
- **Delay of Payment of Employer Payroll Taxes**
 - Section 2302 allows all employers to defer paying their share of Social Security payroll taxes for two years, 50% by December 31, 2021 and 50% by December 31, 2022
 - Not applicable if applied to loan under subsection 36



Families First Coronavirus Response Act

- Paid sick leave and family leave, with refundable payroll tax credits to fund them (subject to a cap)
 - Requires covered employers to provide up to 2 weeks of paid sick leave for employees who are unable to work or telework because they meet one of 6 conditions:
 - (i) they are subject to a quarantine or isolation order relating to COVID-19;
 - (ii) they have been advised by a health care provider to self-quarantine due to COVID-19;
 - (iii) they are experiencing symptoms of COVID-19 and seeking a medical diagnosis;
 - (iv) they are caring for someone who is quarantined or subject to an isolation order;
 - (v) they are caring for a child whose school or place of care has been closed, or the childcare provider of such child son or daughter is unavailable, due to COVID-19
 - (vi) Employee cannot work or telework due to a workplace closure
- \$1B to states for an additional 13 weeks of unemployment insurance
- Free coronavirus testing



Federal: Other

Automatic extension to July 15 to file and pay taxes (business & individual)

Net operating losses. This provision allows for NOLs arising in tax years 2018, 2019, or 2020 to be carried back 5 years

Modification of §461(l) excess business loss rules. The provision modifies various aspects of the excess business loss (EBL) limitation applicable to pass-through businesses

Refunds for AMT credits. Since the repeal of the corporate AMT, carryover AMT credits currently are refundable over several years, with the balance fully refundable in 2021

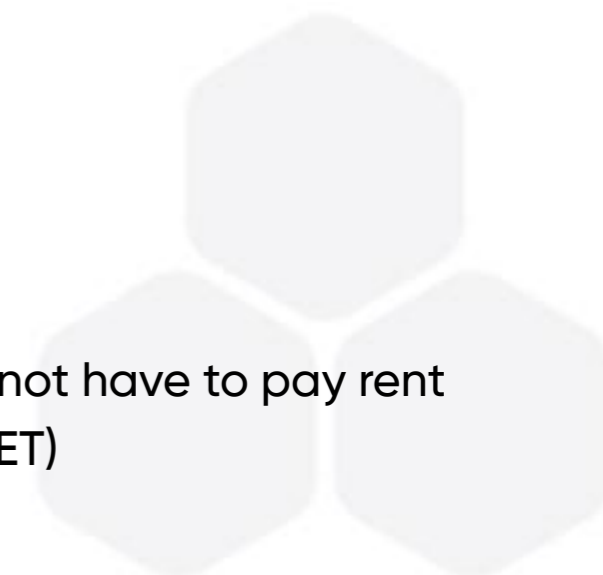
Temporary modification of §163(j) interest deduction limitation. This provision increases taxpayers' permitted interest deduction by increasing the 30%-of-ATI limitation to 50% (with adjustments) for 2019 and 2020

Technical amendment regarding qualified improvement property. Qualified improvement property (QIP) is any improvement to the interior of a non-residential building after the building was placed in service

Temporary exception from excise tax for alcohol used to produce hand sanitizer.

New York

- **NYC Employee Retention Grant Program**
 - Small businesses with fewer than 5 employees can receive a grant up to \$27,000 to cover 40% of payroll costs for 2 months
 - Demonstrate COVID-19 caused 25% decrease in revenue
 - Business operational for at least 6 months
- **NYC Small Business Continuity Loan Fund**
 - Businesses with fewer than 100 employees are eligible for zero interest loan up to \$75,000
 - Demonstrate 25% reduction in revenue
 - Demonstrate ability to repay the loan
- **New York State**
 - Defer tax filling and payments
 - Will consider interest and penalty waiver on late Sales and Use Tax filling
 - Commercial and residential tenants harmed by the COVID-19 pandemic would not have to pay rent for 90 days under legislation introduced to New York state Senate (NOT FINAL YET)



California

- **San Francisco COVID-19 Small Business Resiliency Fund**
 - Grants up to \$10,000 for employee salaries and rent
 - Businesses with 1-5 employees
 - Demonstrate a loss of revenue of more than 25%
 - Have less than \$2,500,000 in gross receipts
- **Los Angeles City Small Business Emergency Microloan Program**
 - Business located within the City of Los Angeles
 - Show historical profits and ability to repay loan
 - Prove job retention
 - Use of funds – job retention, reasonable and eligible working capital expenses
 - Loan limits \$5,000 to \$20,000
 - Interest rate 0% for one year or 3%-5% for up to 5 years
- **State of California**
 - Defer tax filling and payments
 - Defer Business tax and license fees
 - Relax of WARN Act requirements



Other States

- All states are in various stages of deferring tax filling and payments
- **Pennsylvania:** Grants to small businesses
- **Florida:** Short-term loans
- **Massachusetts:** Loans up to \$75K to entities with fewer than 50 employees
- **New Jersey:** Various grants and loans through the Economic Development Agency
- Most states offer small grants and loans through the local SBA Disaster Administrati



Private Aid Opportunities

- **Amazon Neighborhood Small Business Relief Fund:** Eligible businesses in Washington state can apply for a grant from Amazon as long as they have 50 or fewer employees and have less than \$7 million in annual revenue.
- **Facebook Small Business Grants Program:** The social media firm plans to accept applications soon for small businesses in over 30 nations. The company will provide details on the grants as they become available.
- **Google** established a [COVID-19 fund](#) that enables all temporary staff and vendors globally to take sick leave.



Key Considerations

Cash Conservation (extend cash runway)

- Weekly cash forecasting and management
- Focus on incoming cash (collections, funding)
- Fund payroll and essential business services first.
- Leverage incentives offered by private and public sector (e.g., utilities will not be cut if payments are delayed).

Focus on Human Capital

- Clarify HR policies and procedures to ensure minimal business interruption
- Deploy remote connectivity tools for effective work collaboration
- Ensure corrective procedures are in place for any contingencies (e.g. what actions to take if an employee is detected with virus)
- Deploy wellness programs – Forced isolation may have detrimental effects on mental health.
- Stay in touch with the employee base (virtual town halls, 1:1, etc.)
- Reassess employee benefits programs to ensure they are optimized for current times

Business Future

- Ensure the business model adapts to the macroeconomic situation (e.g. recession)
- Explore alternative business solutions to current company needs (e.g. essential business services)
- Explore and participate in all available incentive programs (e.g. SBA loans)



Thank You

Questions?

