

STRATEGIC PLANNING FOR BUSINESSES: What's the Latest?

Understanding the CARES Act and Other New Laws

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RACC SOURCE OF CREDIBLE INFORMATION

WWW.ROCHESTERMNCHAMBER.COM

TAXES

State

- Individual Income Tax: deadline for filing and payment is extended to **July 15, 2020**
- Business Income Tax: deadline has not changed

Federal

- The deadline to file and pay Federal Income Tax is extended to **July 15, 2020**

Local

- Potential Property Tax assessment appeal deadline extended to **May 30, 2020** pending Governor's signature

CITY COSTS

RPU

- Is suspending residential and commercial water and electric disconnects until peacetime designation is lifted. Work with RPU

Liquor License Fees

- Payment deferred until November 2020. Reviewing options for those who have already paid

Downtown Contract Parking

- Payment waived for April upon request. Contact Reef Parking at Rochesterparking@reefparking.com

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City of Rochester's Covid-19 Emergency Economic Development Loan Program

OVERVIEW

This is a loan program designed to provide interim financial aid to assist small local businesses during the pandemic event.

CRITERIA AND TERMS

- Business must be located within the city limits of Rochester.
- Business must not have more than 25 full time equivalent (FTE) employees.
- If the business meets the criteria, they must have applied for MN's Shared Work Program.
- Maximum loan amount not to exceed \$25,000.
- Loan will be amortized over 36 months with monthly payments starting 90 days after the state of emergency declaration is terminated.
- Interest rate is 1%, accruing from the date of the state of emergency ending.
- If the loan is repaid within 6 months of the state of emergency ending, interest will be waived.
- Loans can be repaid in whole or in part anytime without penalty.
- Application deadline is 5:00pm Friday April 3rd and applying for this loan will **NOT** disqualify the business from other assistance programs that are available.
- For information and to apply go to: <https://www.rochestermn.gov/departments/emergency-management/covid-19-emergency-economic-development-and-stability-information>

MINNESOTA UNEMPLOYMENT

What has Changed?

- The one week waiting period has been waived.
- Benefits are available if COVID-19 related.
- Extra \$600 per week and 13 week extension due to CARES Act.
- Pandemic employment assistance available.
- Benefits for gig workers, self employed and independent contractors.

FFCRA Update

- Lack of regulations has led to uncertainty.
- Begins April 1st. 500 or fewer employees.
- Regulations due by April 2nd.
- DOL initial relaxed enforcement.
- Employers must act in good faith and agree to fix deficiencies.
- Expire December 31, 2020.

PAID SICK LEAVE

- Up to 80 hours paid sick leave to eligible full and part time employees.
- Can't require use of PTO prior to using this sick leave.
- Regular pay up to \$511 per day (\$5,110 total) due to government shutdown, quarantined, or having COVID-19 symptoms.
- 2/3 wages up to \$200 per day (\$2,000 total) if due to care for another or to care for a minor child due to school or day care closure.

FMLA Changes

- Provides up to 12 weeks of job-protected leave (10 if had the 2 weeks sick pay).
- The benefit *only applies* if cannot work due to minor child's school or child care closed related to COVID-19.
- 2/3 of wage up to \$200 per day (\$10,000 total)
- Must have worked for employer at least 30 days.

STAY AT HOME - What's that mean?

- Executive Order 20-20 issued March 25, 2020
- Directs Minnesotans to limit movements outside of their homes beyond essential needs
- Effective March 27th (11:59 p.m.) thru April 10th (5:00 p.m.)
- Bars, restaurants, places of public accommodation in place until May 1st
- School closures extended to May 4th
- Copy of the order found here:
<https://mn.gov/governor/news/executiveorders.jsp>

STAY AT HOME – Remote Work

- Virtual and telework is not restricted
- Minnesotans encouraged to work from home as much as possible

STAY AT HOME - Exemptions

- Exemptions for certain activities:
 - Outdoor activities;
 - Necessary supplies and services (groceries, gas, delivery and carry-out)
 - Essential intrastate and interstate travel
 - Care of others

- Clarifications found at:
<https://mn.gov/governor/covid-19/faq.jsp>

STAY AT HOME - Critical Sectors

- Critical Sectors and essential workers unaffected
- Critical Sectors include MN specific sectors and categories set forth in Guidance on the Essential Critical Infrastructure Workforce: Ensuring Community and National Resilience in COVID-19 Response (“CISA Guidance”) and NAICS Codes
- Clarifications on Critical Sectors found at <http://MN.gov/deed/critical/>

STAY AT HOME - Critical Sectors

- **Examples of Critical Sectors:**
 - Healthcare and public health
 - Law enforcement, public safety
 - Food and agriculture
 - Energy
 - Communications and information technology
 - Critical manufacturing
 - Financial services
 - Construction and critical trades
 - Child care providers
 - Charitable and social services organizations
 - Legal services
 - Real estate transactions

STAY AT HOME

Practical Considerations

- Do I fall within a Critical Sector?
- Do I stay open if I'm in a Critical Sector and my employees can work from home?
- What if a portion of my business qualifies as Critical Sector work but another segment of my business does not appear to be exempted from the Governor's Stay At Home order?
- Or, let's say I work in an exempt Critical Sector business, but I anticipate limited business during this period, or myself and my employees are concerned for our safety and unable to work from home, what are my options?

PROPOSED MN BILL - HF 4531

- Provides emergency loans for small businesses and loan guarantees for businesses with fewer than 250 employees.
- \$40 million set aside. More relief expected later.
- Governor Walz expected to sign soon.

CARES ACT - What is it?

- Coronavirus Aid, Relief, and Economic Security Act” or the “CARES Act” - \$2 trillion stimulus
- Direct payments - \$1,200 single, \$2,400 married, plus \$500 per child under the age of 17.
- Based on AGI. Phases out for AGI over \$75,000 (single) or \$150,000 (married). AGI in excess of \$99,000 (single) or \$198,000 (married) do not qualify.

CARES ACT - New SBA 7(a) “Paycheck Protection Program”

OVERVIEW

- \$350 billion allocated for the Paycheck Protection Program
- Designed to help small businesses impacted by the pandemic to make payroll and cover other expenses from February 15 to June 30
- Comes in the form of loans up to \$10 million
- Loans may be forgiven if a company uses the loan for payroll, interest payments on mortgages, rent, and utilities
- Forgiveness amount would be reduced by any reduction in employees or reduction in employee compensation
- To be administered through banks and credit unions, not directly through SBA

CARES ACT

Paycheck Protection Program

Eligible Businesses

- Virtually all businesses (for profit and non-profit) with fewer than 500 employees
 - Includes eligibility for independent contractors and self-employed
- Do not have to be shut down
- Only underwriting requirements:
 - was in business on February 15, 2020, and
 - had employees for whom it paid salaries and payroll taxes
- Borrower just needs to certify that *“the uncertainty of current economic conditions makes necessary the loan request to support the ongoing operations”*

CARES ACT

Paycheck Protection Program

Amount Available

- 2.5 X one month of average monthly “payroll costs”
- \$10 million cap
- Payroll costs calculated by taking monthly average looking back 1 year from the date the loan was made

CARES ACT

Paycheck Protection Program

Payroll Costs

“Payroll costs” include:

- wages, commissions, salary, similar comp to employees;
- payment of a cash tip or equivalent;
- payment for vacation, parental, family, medical or sick leave;
- allowance for dismissal or separation;
- payment for group health care benefits and premiums
- payment of state or local tax assessed on employee compensation

CARES ACT

Paycheck Protection Program

Payroll Costs

“Payroll costs” do **NOT** include:

- employee annual salaries in excess of \$100k
- Employer social security payroll taxes
- comp for employees who live outside U.S.
- qualified sick leave or family medical leave for which a credit is available under Families First Coronavirus Response Act

CARES ACT

Paycheck Protection Program

Loan Terms

- Interest rate not to exceed 4%
- Usual closing fees waived for borrower
- No personal guarantees or collateral required*
 - * Waiver of guarantees and collateral is “during covered period” – might be required if lender terms out balance*
- Payments deferred for at least 6 months, but not to exceed one year
- Once repayment starts, maximum maturity of 10 years
- Proceeds used to cover payroll, mortgage, rent, utilities and other debt service requirements

CARES ACT

Paycheck Protection Program Loan Forgiveness

- Forgiveness will start after June 30th
- Forgiven amount will be tax free
- Generally, amount forgiven = sum of following payments made during the 8-week period:
 - *payroll costs (subject to \$100k salary limitation)*
 - *mortgage interest;*
 - *rent; and*
 - *certain utility payments*

CARES ACT

Paycheck Protection Program Loan Forgiveness Reduction

HOWEVER, amount forgiven may be reduced by:

- Reduction in workforce during the covered period, or
- Reduction in salary or wages paid during the covered period.

BUT, reduction may be avoided if employer rehires or increases the employee's pay within the allotted time period

CARES ACT

Paycheck Protection Program

Key Takeaways

- **MUST** plan cash flow for next few months, but **SHOULD** factor this program into cash flow
- The best starting place for a business seeking one of these loans is the business's lender
- Calculate your possible loan amount now to factor into your cash flow strategy (2.5 x average monthly payroll costs)

CARES ACT - Access to EIDLs

- Economic Injury Disaster Loans - Separate from Paycheck Protection Program
- Directly administered by SBA (not lenders)
- Includes businesses:
 - With fewer than 500 employees;
 - Sole proprietors; and
 - ESOPs

CARES ACT - Access to EIDL

- No personal guarantees on loans under \$200k made before December 31, 2020
- Allows disaster loan to be taken out between January 31, 2020 and the date on which a paycheck protection loan is available for reasons “*other than paying payroll costs.*”
- New Emergency Grant to allow a business that has applied for disaster loan to receive an immediate advance of up to \$10k. Not required to be repaid, even if loan denied.
- **But**, will reduce loan forgiveness amount if business also has Paycheck Protection Loan

Other Resources

- Small Business Emergency Loan through DEED:
<https://mn.gov/deed/business/financing-business/deed-programs/peacetime/>
- Federal SBA Economic Disaster Loans (COVID-19):
<https://disasterloan.sba.gov/ela/Information/EIDLLoans>

QUESTIONS?

- For more information, please contact us:

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THANK YOU!

What's Next?

- Stay tuned for invitations to upcoming free webinars hosted by Dunlap & Seeger.
- For more information and the latest updates, visit our website at:
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