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The **Coronavirus Aid, Relief, and Economic Security (CARES) Act**, was passed in the House and signed into law by President Trump. Here's some things you may want to know:

Paycheck Protection Program

The final law's loan program is largely unchanged since we first communicated to you about it on Monday. It creates a new business "Paycheck Protection Program," via a \$349 billion lending facility modeled on the [Small Business Administration's \(SBA\) existing 7\(a\) program](#).

Under this new program, eligible small businesses can get a loan to cover costs incurred between February 15, 2020, and June 30, 2020. This window of time is referred to in other areas of the law, and below, as the "covered" period.

Who can apply for and get one of these loans?

- Under the law, businesses that meet the SBA's "small business concern" definition, as well as businesses with up to 500 employees, are eligible (subject to [affiliation rules](#)). For the purposes of this program, your total number of "employees" includes your full-time and part-time employees, in addition to individuals who work with you seasonally or on a temporary basis.
- Using a PEO does not impact the way you count your total "employees" or your eligibility. 501(c)(3) non-profit organizations are also eligible for these loans.
- Certain hospitality and foodservice companies, whose NAICS code begins with "72," are afforded special considerations. For these businesses, if they have 500 or more total employees across multiple locations, they are eligible to look at each discrete physical location with under 500 employees and apply for a loan accordingly. This special consideration is not extended to other industries.

How much can I borrow to sustain my business?

- The maximum amount you can borrow is 250% of your average monthly “payroll costs” (based on a 12-month look back), not to exceed \$10 million.
- For the purposes of this calculation, your “payroll costs” include compensation paid to employees and self-employed contractors, capped at \$100,000 per year per individual (prorated over the “covered” period). Compensation above \$100,000 per year (prorated over this same period) is excluded for the purposes of making this calculation.
- In addition to compensation, “payroll costs” can be interpreted according to the existing SBA definition. This means that your calculation in applying for a loan amount can also include cash tip equivalents, the cost of health benefits (including premiums), the cost of retirement benefits, the cost of leave (e.g., vacation, family, and sick leave), and the payment of state or local taxes assessed on employee compensation.

What are the loan terms?

- The loans will be issued via the SBA’s network of 7(a) program lenders and will be 100% guaranteed by the SBA. Your having available credit from other sources does not disqualify you. There are no application fees or closing costs allowed and there is no collateral or personal guarantee required.
- The maximum interest rate lenders can charge is 4% and the maximum loan term is 10 years. The first 6 months of payments (principal and interest) are automatically deferred. This deferral period can be extended up to a year.

What can I use the loan for?

- Proceeds can be used during the 8-week period after loan origination for payroll costs (including costs related to the continuation of group

health care benefits, among other things), mortgage interest payments, rent, utilities, and interest on prior debt.

Do I have to pay the loan back?

- **General forgiveness:** A portion of your total loan would be eligible for forgiveness in the amount equal to your “payroll costs,” as well as any interest paid on covered mortgage obligations, covered rent obligations, and covered utility payments between February 15, 2020, and June 30, 2020. Forgiven amounts will not be taxable as income to your business. “Covered” obligations must have been in place prior to February 15, 2020.
- **Reductions in forgiveness:** The loan amount ultimately forgiven by the federal government will be reduced by the number of employees laid off or experiencing salary reductions of more than 25% prior to, or during, the period between February 15, 2020, and June 30, 2020. *These calculations can be complicated, and we are already working on additional resources to help you understand them.*
- **Certification:** To be eligible for forgiveness, you should expect that you will have to verify the employees kept on payroll and the wages paid to these employees, as well as any other qualified expenses between February 15, 2020, and June 30, 2020.

What if I already had to lay off some of my employees?

- This program’s intent is for you to be able to keep your people on payroll. If you re-hire employees that you previously laid off after February 15, 2020 and/or you restore the salary for those employees that may have seen a wage reduction, no later than June 20, 2020, any corresponding reduction in loan forgiveness can be avoided.

When and how can I apply for a loan?

- Under the CARES Act, all lending institutions are approved by the SBA to issue these loans. However, loans will not be available until the SBA issues its final guidance to lenders. This will take some time yet, even

though President Trump signed the CARES Act into law today. We will update you as soon as we know exactly what you need to do to access these loans and can provide a list of 7(a) lenders.

Tax Relief for Small Businesses

Under the CARES Act, businesses can elect to take advantage of either the loan forgiveness program described above OR the tax relief options described below. You cannot take advantage of both.

If I don't want to participate in the loan forgiveness program, what kind of tax relief can I get instead?

- You may be eligible for an **employee retention credit**, which is a fully refundable 50% tax credit applicable to the employer's share of payroll taxes on wages up to \$10,000 per employee. To be eligible, you must demonstrate that your operations were suspended because of an official government order related to COVID-19, or that your gross receipts declined by at least 50% compared to the same quarter in 2019.
- The CARES Act also provides employers who do not seek loan forgiveness with a temporary **payroll tax holiday**. This would give you the option to defer payment of the employer share of Social Security taxes for the period beginning on the date of the enactment of the Act, which is today, March 27, 2020, and ending before January 1, 2021. The deferred amounts would then be 50% due by December 31, 2021, and the remaining amount by December 31, 2022. Under the CARES Act, and in the eyes of the IRS, employers would retain sole liability for the eventual payment of these deferred taxes, regardless of whether they use a PEO/CPEO.
- After the IRS releases its official implementation guidance, you will be able to coordinate with Justworks to take advantage of these tax relief measures.

Next Week: Launching Features to Support COVID-19-related Paid Leave

- When we wrote to you on Monday, we also informed you of some important new requirements to provide paid leave under [H.R. 6201](#), the **Families First Coronavirus Response Act (FFCRA)**. These go into effect on April 1, 2020.
- Since the FFCRA was signed into law on March 18, 2020, our team has been working around the clock to implement it in Justworks. We will be launching new features to help you classify and keep track of employees on COVID-19-related paid leave next week.

Note that the information we have shared here is not exhaustive. It represents only what we felt would be most relevant to your business as a Justworks customer. Of course, your situation will be unique, and you should ultimately consult your tax professional and legal counsel.

Although the CARES Act was signed into law today, the programs described above are not quite “live” yet. We understand this may be frustrating, especially if your business is already under strain from COVID-19. Therefore, our hope in sharing this information with you now, as soon as possible, is that it will empower you to make the best decisions for your business and, most importantly, take care of your people in this challenging time. As soon as these programs come online or we get new information, we will notify you.