


**Valerie Sasaki's  
CARES Act Overview**

*Women in Insurance and Financial  
Services Presentation  
May 27, 2020*

Slides available at <https://samuelslaw.com/blog/>



1

---

---

---

---

---

---

---

---

---

---

**This is not legal advice. Any views expressed are my own.**

Obviously, anything I say today should not be mis-construed as being legal advice to anyone. Also, merely attending this does not make you or anyone a client so there is no attorney client relationship. We use a lot of paper to document that sort of thing so there is no confusion.

Please also be advised that any opinions expressed in this article are not those of the American College of Tax Counsel, Oregon State Bar, Oregon State Bar Business Law Section, Oregon State Bar Taxation Section, my firm, you, my fourth grade teacher, my University of Washington, LLM State and Local Tax professors (hi guys!), Idris Elba, Jason Momoa, cats, dogs, chickens, or anyone other than me. These are MY opinions, bad jokes, interpretations, and misinterpretations of law, policy, folklore, and myth. Obviously. I barely even listen to my mother when she tries to foist off her opinions on me, do you really think I'd listen to anyone else?



2

---

---

---

---

---

---

---


---

---

---

**Today's Conversation**

- How did we get here?
- What is the Coronavirus Aid, Relief, and Economic Security ("CARES") Act?
- Four Major Areas of Aid
  - Assistance for State, Local, and Tribal Governments
  - Direct assistance for some workers and families
  - Assistance for big business
  - Assistance for small businesses



3

---

---

---

---

---

---

---

---

---

---



Progression and Response to the Novel 2019 Coronavirus

## HOW DID WE GET HERE?

Samuels Yoelin Kantor LLP  
Attorneys At Law

4

---

---

---

---

---

---

---

---

## Where are we coming from?

- November, 2019: A 55 year old from Hubei province believed to be first COVID-19 patient
- January 11: China reports first death
- January 13: Thailand reports first non-Chinese case of COVID-19
- January 20: First US case in Washington
- February 2: First non-China death Philippines
- February 6: First US COVID-19 death a woman who died in San Jose, CA on February 6, 2020
- March 13: Working from home
- May 24: 5.45 Million, 346 thousand deaths
- As of May 25, 2020:
  - 1,637,456 US cases; 97,669 US deaths
  - 3,949 Oregon cases; 148 Oregon deaths

Samuels Yoelin Kantor LLP  
Attorneys At Law

5

---

---

---

---

---

---

---

---

## Government Response

- February 28: Gov. Brown convened a Coronavirus response team
- March 8: Gov. Brown declares a state of emergency
- March 21: IRS Issued Notice 2020-58, which extended the tax filing and payment deadline to July 15, 2020 (income taxes only, Also applied to Q1 extension payments)
- March 24: now former Director Ray issued order 2020-01 matching IRS deadlines for income taxes
- March 27: CARES Act became law
- April 20: Oregon DOR Director's order 2020-02 to extend deadline for additional tax types

Samuels Yoelin Kantor LLP  
Attorneys At Law

6

---

---

---

---

---


---

---

---

## Government Response

- February 28: Gov. Brown convened a Coronavirus response team
- March 8: Gov. Brown declares a state of emergency
- March 21: IRS Issued Notice 2020-58, which extended the tax filing and payment deadline to July 15, 2020 (income taxes only, Also applied to Q1 extension payments)
- March 24: now former Director Ray issued order 2020-01 matching IRS deadlines for income taxes
- **March 27: CARES Act became law**
- April 20: Oregon DOR Director's order 2020-02 to extend deadline for additional tax types

 Samuels Yoelin Kantor  
Attorneys At Law

---

---

---

---

---


---

---

---

7

## WHAT IS THE CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY (“CARES”) ACT?

 Samuels Yoelin Kantor  
Attorneys At Law

---

---

---

---

---

---


---

---

8

## What is the CARES act?

- SB 3548
- \$2 Trillion economic relief package intended to help different sectors of society and provide breathing room for business owners.

 Samuels Yoelin Kantor  
Attorneys At Law

---

---

---

---

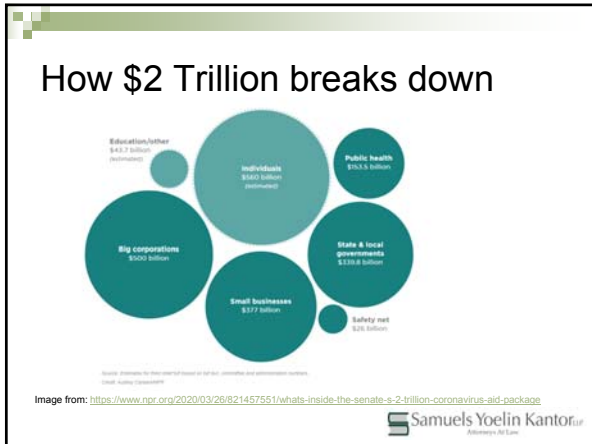
---

---

---

---

9



10

---

---

---

---

---

---

---

---

---

---

## CARES Act: SPECIFIC SECTOR AID

Samuels Yoelin Kantor LLP  
Attorneys At Law

11

---

---

---

---

---

---

---

---

---

---

## Aid to State and Local Government \$339.8 B

- \$339.8 Billion
  - \$274 Billion to specific COVID-19 response efforts (including \$150 Billion to help with cash flow to high incidence states)
  - \$5 Billion Community Development Block Grants
  - \$13 Billion for K-12 Schools
  - \$14 Billion Higher Education
  - \$5.3 Billion to Children/Families Programs

Samuels Yoelin Kantor LLP  
Attorneys At Law

12

---

---

---

---

---

---

---

---

---

---

## Aid to Individuals \$560 B

- \$300 Billion in direct cash payments
  - Individuals up to \$75,000 - \$1,200 (Phased out at \$99,000+)
  - MFJ up to \$150,000 - \$2,400 (Phased out at \$198,000+)
- Extra Unemployment benefits of \$600/week and additional 13 weeks
- Gig workers and freelancers eligible for assistance through end of the year
- Employers may provide up to \$5,250 in tax-free student loan repayment benefits (excludable from income)
- All private insurance plans have to cover COVID-19 treatments and vaccines and make all tests free



13

---

---

---

---

---

---

---

---

## Aid to Big Business \$500 B

- Carrot:
  - \$58 Billion Airline Assistance (Employee wages, salaries)
  - Fully Refundable Tax Credit for 50% of payroll on first \$10,000 of compensation, including health benefits, for each employee
  - >100 employees, credit is for employees not providing services
  - <100 employees, can use deduction even if still open



14

---

---

---

---

---

---

---

---

## Aid to Big Business \$500 B

- Stick:
  - Stock Buyback Ban (No buybacks for 1 year if company receives a loan)
  - Reporting requirements
  - Oversight – Special Inspector General to oversee pandemic recovery
  - No benefit for President, VP, Cabinet, members of congress or their “spouse, child, or son/daughter-in-law



15

---

---

---

---

---

---

---

---

## Aid for Small Business \$377B

- Emergency Grants \$10 B for grants up to \$10,000 for immediate operating costs – Economic Injury Disaster Loan program
- Payroll Protection Plan loans: \$350 B to SBA to provide loans of up to \$10 M per business.
- Relief for businesses with existing SBA loans (\$17 M)



16

---

---

---

---

---

---

---

---

## Economic Injury Disaster Loan (“EIDL”)

- Existing Program – Working capital to help small businesses to meet ordinary and necessary financial obligations that cannot be met as a result of a disaster.
  - Loan with maximum interest rate of 4%
  - Requirements: Acceptable credit history, ability to repay, and collateral for loans >\$5,000



17

---

---

---

---

---

---

---

---

## Economic Injury Disaster Loan (“EIDL”)

- Existing Program – Working capital to help small businesses to meet ordinary and necessary financial obligations that cannot be met as a result of a disaster.
  - Loan with maximum interest rate of 4%
  - Requirements: Acceptable credit history, ability to repay, and collateral for loans >\$5,000
  - Have to validate that you can't get private funding to meet these expenses



18

---

---

---

---

---

---

---

---

## Economic Injury Disaster Loan (“EIDL”)

- CARES Act Supercharged EIDL:
  - Up to \$2M in aid, including a \$10,000 emergency cash advance.
  - Interest rate is 3.75% (for profit small business) or 2.75% (for nonprofit organizations)
  - Repayment term: 30 years
  - Eligibility: Based on credit check (or other factors)
  - Loans <\$200,000, no personal guarantee; <\$25,000 no collateral required; >\$25,000 can be secured by general business assets
  - Not required to validate that you can't get private funding elsewhere
  - Can get both a PPP loan and EIDL loan if use \$ for different things



19

---

---

---

---

---

---

---

---

## Economic Injury Disaster Loan (“EIDL”)

- CARES Act Supercharged EIDL:
  - Loans may be used as working capital to pay bills, fixed debts, payroll, or accounts payable
  - Loans may not be used for: Dividends and bonuses; Disbursements to owners (unless for the performance of services); Repayment of stockholder/principal loans; Expansion of facilities or purchasing fixed assets; Paying off debt owned by a Federal agency or SBA; Paying any direct Federal debt, except IRS obligations; Refinancing long-term debts; Relocation



20

---

---

---

---

---

---

---

---

## Payroll Protection Plan Loan (PPP)

- Goal: provide small business with funds to pay 8 weeks of payroll costs, including benefits. May also be used to pay interests on mortgages, rent, and utilities
- Forgiveness: Fully forgiven when used for payroll costs, interest on mortgages, rents, and utilities (at least 75% of forgiven amount must be used for payroll).
  - Loan payments for unforgiven amounts, deferred for six months. Interest rate of 1%
- Eligibility: Businesses with <500 employees (including nonprofits, veterans organizations, tribal concerns, self employed businesses, sole proprietorships, independent contractors, etc.)



21

---

---

---

---

---

---

---

---

## Payroll Protection Plan Loan (PPP)

- March 27: CARES Act passed
- April 15: SBA announced PPP was out of money
- April 24: Additional funding of \$310 B



22

---

---

---

---

---

---

---

---

## Payroll Protection Plan Loan (PPP)

“Building this ship as we’re sailing it” So far, SBA has issued 48 FAQs.

- “What is a small business” Looks to Small Business Act 15 USC 632 (Organized for profit; Has a place of business in the U.S; Operates primarily within the U.S. or makes a significant contribution to the U.S. economy through payment of taxes or use of American products, materials or labor; Is independently owned and operated; Is not dominant in its field on a national basis)
  - Interaction with 500 employee cap? Alternative test



23

---

---

---

---

---

---

---

---

## Payroll Protection Plan Loan (PPP)

- Do lenders have to independently verify information on applications? Can rely on borrower calculations and representations for the most part. (SBA will review/audit all loans in excess of \$2 million, and others as appropriate – FAQ 39)
- Caps on salary: \$100,000 cash contribution / employee (does not include non-cash benefits including contributions to retirement plans, etc.); Does not include payments to independent contractors
- Timing: 8 Week period begins when borrower receives the money



24

---

---

---

---

---

---

---

---



## Payroll Protection Plan Loan (PPP)

- Affiliates: Generally combine affiliates with common ownership. However, Each hospitality business owned by a parent company that is a separately organized businesses and employs not more than 500 employees may apply for a separate PPP, provided it uses its unique EIN.
- Necessary: "[c]urrent economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant." Much angst. Borrowers must consider current business activity and ability access other sources of liquidity and certify that a loan is "necessary" in good faith. For loans <\$2 M, Safeharbor, certification deemed made in good faith. Great Forbes article on this.



25

---

---

---

---

---

---

---

---

## Payroll Protection Plan Loan (PPP)

- Forgiveness: Last Friday, SBA issued an Interim Final Rule about loan forgiveness, so it's in it's 30 day comment period but effective immediately.
  - Mechanics: Borrowers are required to apply to their lenders for loan forgiveness. Generally lenders have 60 days to make a decision about the loan forgiveness application and SBA has 90 days to repay the lender. The process is subject to SBA review.
  - Payroll costs: Incurred and paid within the 8 week period\* (8 weeks after funding) or the alternative payroll period (8 weeks starting with the first payroll after funding).
  - Nonpayroll costs: Include interest on business mortgage obligations, rent, utilities
- Nonforgiveness: The forgiveness amount can be proportionally reduced if the average number of FTE's during the periods is lower compared with the 2/5/2019-6/30/2019 or 1/1/2020-2/29/2020 periods.



26

---

---

---

---

---

---

---

---

## Payroll Protection Plan Loan (PPP)

- Nonforgiveness: The forgiveness amount can be proportionally reduced if the average number of FTE's during the periods is lower compared with the 2/5/2019-6/30/2019 or 1/1/2020-2/29/2020 periods.

- Rehiring doesn't count against a borrower
- Employees who are fired for cause, voluntarily resign, or who request a reduction in work hours won't count against a borrower

Forgiveness amount can also be reduced where employees are paid 25% less for the period 1/1/3030-3/31/2020. Employers can cure reductions in salary that were made between 2/15/2020-4/26/2020 by 6/30/2020 to avoid a reduction in the forgiven amount.



27

---

---

---

---

---

---

---

---

**Lagniappe:  
Main Street Lending Program (MSLP)**

- April 9: Federal Reserve announced it would offer a program to provide an additional \$600 B of loans to small and midsize businesses.
- Eligibility: \$250k Earnings before EBITDA and no debt
- Terms: Variable interest (2.5%-4%) and a 4 year term; Minimum principal of \$1 M – Maximum of \$25 M



28

---

---

---

---

---

---

---

---

**Questions?**

Contact Information	
Valerie H. Sasaki	Samuels Yoelin Kantor LLP 111 SW Fifth Avenue, Suite 3800 Portland, Oregon 97204 503-226-2966 vsasaki@samuelslaw.com



29

---

---

---

---

---

---

---

---