



2020 CARES Act

WHAT STIMULUS FUNDS ARE AVAILABLE
AND HOW TO APPLY

With Dale Carlton & Chris Bird

Meet Chris & Dale

Chris Bird, CRS, was a Senior IRS agent for 16 years. After leaving the IRS, he started his own company, Chris Bird Seminars, Inc., and went on to conduct more than 125 seminars a year on accounting, financial planning, wealth building, residential rental property ownership, and tax strategies for the real estate and financial industries nationwide. He is a Certified CRS Instructor, and he teaches GRI classes in five states. He currently holds a real estate broker's license in Champaign, Illinois.



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Dale Carlton, CRS has worked in the education field for over twenty-five years, working with non-profit organizations, under-grad students, universities, as an attorney, and largely in the real estate field. Dale is the owner of Carlton Realty, Inc. He was a broker during the sale of over \$3 billion in properties, has personally sold/leased over \$200 million in properties, and has owned, co-owned, or managed over 250 residential and commercial properties in Northwest Arkansas. Dale is also a Certified CRS Instructor.

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CARES Act 2020



880+ PAGES



\$2+ TRILLION IN
STIMULUS



PASSED MARCH 27,
2020



Tax Credit / Stimulus Payments

- \$1,200 for single return, \$2,400 for joint returns
- \$500 for each child under age 17
- No lower threshold
- Upper thresholds based on AGI
 - \$75,000 - \$99,000 for single return
 - \$150,000 - \$198,000 for joint return
 - \$112,500 - \$148,500 for head of household return
- Phaseout increases by \$10,000 per qualifying child

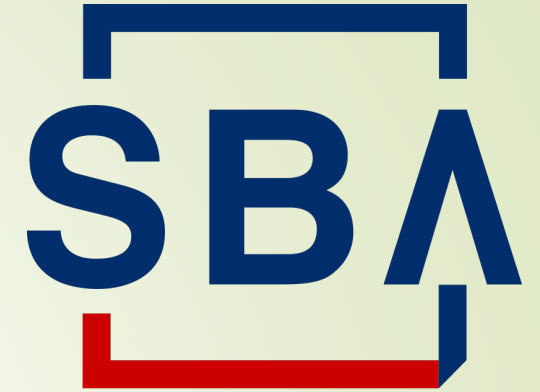


Tax Credit / Stimulus Payments

- ▶ 2018 or 2019 tax return
- ▶ No action necessary if you filed a 2018 tax return
- ▶ Electronic payments if set up from previous refund, otherwise mailed check (3 weeks)
- ▶ Government indicated they would create a way for you to update electronic payments
- ▶ Internet myth about having to pay back



SBA Loan Provisions



U.S. Small Business
Administration

01

ECONOMIC
INJURY DISASTER
LOANS (EIDL)

02

PAYROLL
PROTECTION
PLAN (PPP)

03

SOME STATE
EMERGENCY
GRANTS AND
QUICK ACTION
LOANS




Economic Injury Disaster Loans (EIDL)

- Broadened by the CARES Act for January 31st – December 31st of 2020
 - For businesses with 500 or fewer employees
 - Includes sole proprietors, independent contractors and cooperatives
 - Business must show hardship relating to Coronavirus
 - Up to \$2 million in loans
 - Loan eligibility by credit score or an alternative method showing ability to repay
 - Waive personal guarantee of loans under \$200,000
 - \$1,000-\$10,000 emergency advance (grant)



Economic Injury Disaster Loans (EIDL)

- \$10 billion in funding for \$1,000-10,000 emergency advances
 - Emergency advance is forgivable
 - EIDLs may be used for:
 - Paid sick leave to employees
 - Payroll
 - Rent/mortgage payments
 - Debt obligations due to loss of revenues
 - Increased costs due to supply chain disruptions
 - Apply online at the www.SBA.gov
- 



Payroll Protection Plan 7(a) loan

- 500 or fewer employees
- Includes sole proprietors and independent contractors
- Loan of 250% of the average salary expenditures per month for the year prior to the loan (up to \$10 million)
 - If newer business, can be considered with 2020 receipts
- May be used for payroll (including independent contractor and employee commissions), rent, mortgage interest, utilities
- All or a portion forgivable if payroll levels are maintained
- 75% spent toward payroll.



Payroll Protection Plan 7(a) loan

- ▶ Employees or commissioned persons making over \$100,000 are capped at \$100,000 for calculation of payroll
- ▶ Intended to cover 8 weeks of payroll
- ▶ Loan is forgiven at the end of the 8-week period after you take out the loan. Verify covered expenses with the lender.
- ▶ Apply through your local SBA approved lenders
- ▶ Deadline is June 30th, 2020



Example 1-Sole Proprietor, no employees

➤ Schedule C Net Profit	\$80,000
➤ Divided by 12(average monthly payroll)	6,667
➤ Multiply times 2.5	\$16,667



Example 2-Sole Proprietor, no employees

➤ Schedule C Net Profit	\$180,000
➤ Limited to \$100,000	100,000
➤ Divided by 12(average monthly payroll)	8,333
➤ Multiply times 2.5	\$20,833



Example 3-Sole Proprietor, two employees

➤ Schedule C Net Profit	\$180,000
➤ Limited to \$100,000	100,000
➤ Wages paid to two employees (total)	90,000
➤ Total	190,000
➤ Divided by 12(average monthly payroll)	15,833
➤ Multiply times 2.5	\$39,583



Example 4- S Corporation – One owner, no employees

▶ Salary taken per W-2	\$80,000
Divided by 12(average monthly payroll)	6,667
Multiply times 2.5	\$16,668



Example 5- S Corporation – One owner, two employees

➤ Salary to owner	\$180,000
➤ Limited to \$100,000	100,000
➤ Wages paid to two employees (total)	140,000
➤ Total	240,000
➤ Divided by 12(average monthly payroll)	20,000
➤ Multiply times 2.5	\$50,000



Example 6- S Corporation – One owner, five employees

➤ Salary to owner	\$350,000
➤ Limited to \$100,000	100,000
➤ Wages paid to five employees (total)	600,000
➤ Elimination of salary to any employee > \$100K	(200,000)
➤ Total	500,000
➤ Divided by 12 (average monthly payroll)	41,666
➤ Multiply times 2.5	\$104,168



Example 7- LLC, taxed as a Partnership– two owners, five employees

➤ Profit of LLC (not considered for PPP of entity)	\$800,000
➤ Wages paid to five employees (total)	600,000
➤ Elimination of salary to any employee > \$100K	(200,000)
➤ Total	\$400,000
➤ Divided by 12 (average monthly payroll)	\$33,333
➤ Multiply times 2.5	\$83,332



Example 8- LLC Owner's 1040 from Example 7

▶ LLC profit to owner (and subject to SE)	\$400,000
▶ Limited to \$100,000	\$100,000
▶ Total	\$100,000
▶ Divided by 12(average monthly payroll)	\$ 8,333
▶ Multiply times 2.5	\$20,832



PPP or EIDL?

- ▶ You can only get forgiven for money for the same expenses one time
- ▶ However, if you took out the EIDL, it can be refinanced into the PPP
- ▶ If you receive the EIDL \$10,000 grant, that amount will be deducted from the forgivable portion of the PPP loan
- ▶ If you are turned down for the EIDL loan, you may still be forgiven the \$10,000 emergency advance grant.



Mortgage & Loans

- ▶ Government-backed mortgage forbearance
 - ▶ Up to 360-day payment forbearance
 - ▶ No proof of hardship
 - ▶ No additional fees
 - ▶ No interest or penalties assessed
 - ▶ Exception is for vacant or abandoned properties



Mortgage & Loans

- No foreclosure actions for 60 days from 3/18/2020 on government-backed mortgages
- Government-backed mortgages:
 - VA
 - HUD
 - USDA
 - Freddie Mac
 - Fannie Mae



Mortgage & Loans

- ▶ Multifamily properties
 - ▶ Current on payments as of 2/1/2020
 - ▶ Federally insured, assisted or supplemented loans
 - ▶ May request 30 day forbearance with financial hardship
 - ▶ Extensions up to 90 days
 - ▶ May not evict
 - ▶ May not charge late fees or penalties during forbearance period



Mortgage & Loans

- ▶ Conventional Loans
 - ▶ Payments will still be owed after forbearance
 - ▶ Lender's will still be making payments during forbearance for the borrower
- ▶ In-house loans
 - ▶ Deferment of principle, interest or both may be available
 - ▶ Reduction in current interest rates may be available



Tenants



- ▶ Moratorium on eviction filings and fees/penalties
 - ▶ 120 days
 - ▶ Government insured, guaranteed, supplemented, protected, or assisted in any way by HUD, Fannie Mae, Freddie Mac, rural housing voucher program, or Violence Against Women Act of 1994



Tenants



- ▶ Section 8 voucher rental assistance funding increase
- ▶ Funding for project-based rental assistance to reduce tenant payments
- ▶ Funding for Section 202 Housing for the Elderly
- ▶ Funding for Section 811 Housing for Persons with Disabilities to reduce tenant payments



Student Loans

- ▶ 6-month suspension of payments
 - ▶ No accrual of interest during forbearance
 - ▶ Prohibits negative credit reporting



Retirement Accounts

- ▶ Early withdrawal of up to \$100,000 with no penalty
- ▶ Recontribute over 3 years
- ▶ Keep money and pay tax over 3 years
- ▶ Diagnosed, spouse diagnosed or dependent diagnosed, or
- ▶ Experienced adverse financial consequences as a result of quarantine, furlough or being laid off (including lack of childcare or closing business)



Retirement Accounts

- ▶ Required minimum distributions (RMD)
 - ▶ Not required for those over 70.5 for 2020 (avoid the tax)
- 



Charity

- ▶ Charitable contributions up to \$300 are deductible even if you do not itemize.
- ▶ Must be cash type contributions to charities
- ▶ Increased the AGI limit for cash contributions to 100% and raised corporate income limitations to 25%



Company Tax



- Tax exclusion for employer paid student loans up to \$5,250 for 2020
- Employee Retention Credit (refundable tax credit against payroll tax)
- Delay of payment of employer payroll taxes (pay over 2 years)
- Modification of net operating losses (refunds now by carrying back losses against profitable years up to 5 years back)
- Modifications on losses, AMT and interest expense



Unemployment

Expanded coverage

- ▶ Independent contractors
- ▶ Self-employed
- ▶ Pandemic Unemployment Assistance
- ▶ Administered by the states
- ▶ What is authorized by your state plus an additional \$600 per week

Questions?



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