WHAT ABOUT MY TAXES AND CARES ACT TAX CREDITS?

Thursday, May 14, 2020

PROGRAM BEGINS @ 2PM

Driving growth to every corner of Philadelphia
What About My Taxes and CARES Act Tax Credits?

SAM RHoads
Executive Vice President &
Senior Vice President,
Financial Services Group

PIDC
Driving growth to every corner of Philadelphia
What About My Taxes and CARES Act Tax Credits?

AGENDA

1. Financing Options Beyond Disaster Loans
   a. PIDC
   b. Small Business Administration (SBA)

2. Tax Credits Under the FFCRA and CARES Act
PIDC Small Business Loan Program Overview

**Working Capital & Equipment Loan**
- Term Financing
- Rates fixed at 6.25%
- Term: 3-5 years based on use
- Amount: $50K-$750K

**Contract Line of Credit**
- Bridges receivables
- Interest rate varies (3.50%-6.25%)
- Requires assignment of contract proceeds
- Term is Flexible
- Amount: $50K-$500K
PIDC Small Business Loan Program Overview

**Capital Project Loan**
- Funds acquisition and improvements
- Subordinate to Senior Lender
- Term can match Senior Loan
- Interest Rate: Varies
- Amount: 40% of project costs up to $750K

**Commercial Mortgage Loan**
- Term Financing
- Senior Lender
- Rates fixed at 5.50%
- Term: 5-15 years
- Amount: $50K-$500K

Driving growth to every corner of Philadelphia
Reasons to Borrow From PIDC

Why You May Not Qualify for Traditional Bank Lending

1. Company too small
2. Credit Score too low
3. Not enough experience
4. Shows no profit
5. Unable to service debt

Common Borrower Needs

1. Long pay receivables creating cash flow problems
2. Expand operations
3. Reduce cost of borrowing

Driving growth to every corner of Philadelphia
Collateral

**MINIMUM COLLATERAL**
*Required for PIDC Loans*
- Personal guarantees
- Lien on business assets
- Assignment of proceeds (for Contract LOC)

**ENHANCED COLLATERAL**
*Required in Many Cases*
- Mortgage Lien on personal real estate
- Lien on a CD or marketable securities
- Lien on other personal assets
- Spouse guaranty

Collateral package depends on size of loan and risks of repayment

Driving growth to every corner of Philadelphia
Contacts

Evelyn Montalvo
Loan Officer
Business Lending Group
P  215.496.8124
emontalvo@PIDCphila.com

Arthur Gimenez
Director, Business Development
Business Lending Group
P  215.496.8181
agimenez@PIDCphila.com
Small Business Administration – Need Access to Capital? The SBA Can Help

KIMBERLY STOUT

SONIA R. SMITH

Economic Development & Lender Relations Specialists

Driving growth to every corner of Philadelphia
1. Need a Business Loan to Start, Grow, or Expand?

The SBA works with approved lenders to offer microloans and SBA-backed loans with:

- Competitive terms
- Lower down payments
- Flexible overhead requirements
- Counseling and education
Benefits for Borrowers

• Reasonable term loans for which you may not otherwise qualify
• Smaller equity requirements mean lower down payments
• Longer repayment terms mean lower monthly payments and increased cash flow
• Start-ups and riskier businesses may be financed
• Affordable interest rates
• No “Balloon Notes” permitted
• No prepayment penalty on most loans
• Inadequate collateral: not sole reason for denial
How Can an SBA-backed Loan Help You?

• Launch, grow, or repair a start-up
• Start or purchase a small business
• Access revolving credit or working capital for day-to-day expenses

• Purchase, renovate, or expand facilities
• Purchase inventory, equipment, or machinery
• Purchase land or real estate
• Export a product or service
7(a) Loan Program

• Provides funds for a variety of uses

• Federally-guaranteed loans up to $5 Million

• Competitive loan terms

• Term loans or revolving lines of credit
SBA Express Loan Program

- Streamlined program, not for complicated transactions
- Maximum loan amount $350,000 (up to $1 Million thru Dec 31, 2020)
- Term Loans or lines of credit
- Guaranty Fee Waived for Veteran-Owned Businesses
7(a) Loan Program: International Trade Loans

• Helps small businesses start or expand globally

• Offers three specific loan programs:
  • International Trade Loan Program
  • Export Working Capital Program
  • Export Express (maximum $500,000)
7(a) Loan Program: Community Advantage

- Originated and serviced by mission-based lenders
- Focus on underserved markets
- Term loans up to $250,000
- Interest rate maximum is Prime + 6%
SBA 504 Loan Program

Long-term Financing Program
- Land and/or Building
- Machinery and/or Equipment
- Infrastructure Improvements

Typical Project Structure
- Lender – 50%
- CDC – 40%
- Borrower – 10%

Job Creation Requirement
Microloan Program

Assists small business owners in need of small dollar loans.

Provides business based training and technical assistance for start-up, newly-established, existing, and growing businesses.

Apply Through Microlender:
• Assigned geographic area to service
• Microlenders Have Approval Authority
• [www.sba.gov/microloans](http://www.sba.gov/microloans)

Small Dollar Loans
• $500- $50,000

Eligibility
• Same Criteria as 7(a)

Maturity
• Not to Exceed Six Years

Interest Rates
• Negotiated with Microlender
Questions?

Sonia Smith
Public Information Officer
202-372-7064
Sonia.Smith@sba.gov
Twitter
@SBA_EasternPA

Kim Stout
Economic Development Specialist
202-431-4906
Kimberly.Stout@sba.gov
Email & Website
www.sba.gov/pa
Tax Credits under the FFCRA and CARES Act
Tax Credits under the FFCRA and CARES Act

STEVEN R. ROSSMAN
Shareholder

IRINA MOYSEYENKO
Managing Associate

Driving growth to every corner of Philadelphia
Overview and Key Provisions

• Families First Coronavirus Response Act (FFCRA)
• Coronavirus Aid, Relief and Economic Security (CARES) Act designed to infuse over $2 Trillion into the U.S. economy
• Key Provisions that impact businesses and employees:
  • Expansion of Unemployment Insurance benefits
  • Sick and Family Leave Credit
  • Employee Retention Credit
  • Employer Social Security Tax Deferral
• Visit Drucker & Scaccetti P.C. COVID-19 Tax Resource Center
  www.taxwarriors.com/en-us/covid-19-tax-resource-center-
# Unemployment insurance

<table>
<thead>
<tr>
<th>Eligibility:</th>
<th>Employees who were laid off, furloughed, working reduced hours, self-employed individuals, and gig workers.</th>
</tr>
</thead>
</table>
| **Amount of compensation:** | 1. Traditional Unemployment: 50% of average weekly wages up to $572 max  
2. Pandemic Unemployment: between $195 and $572 weekly based on previous self-employed earnings  
3. Federal Pandemic Unemployment: $600 per week for traditional and pandemic unemployment recipients (in addition to amount from state) |
| **Duration:** | 1. Traditional Unemployment – 26 weeks (may be eligible for extended benefits beyond 26 weeks)  
2. Pandemic Unemployment – 39 weeks  
3. Federal Pandemic Unemployment Compensation – from April 4, 2020 through July 31, 2020 |

**Practical Tip:** File for traditional unemployment or pandemic unemployment through the state where you worked to receive determination of benefits.
## Income Tax Deadlines Extended

<table>
<thead>
<tr>
<th>Deadline Description</th>
<th>Pre-COVID-19 Deadline</th>
<th>Post-COVID-19 Deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019 Federal Income Tax Payment for Individuals</td>
<td>April 15, 2020</td>
<td>July 15, 2020</td>
</tr>
<tr>
<td>2019 State Income Tax Payments &amp; Filings for Individuals</td>
<td>April 15, 2020</td>
<td>July 15, 2020</td>
</tr>
<tr>
<td>Q1-2020 Estimated Tax Payments</td>
<td>March 15, 2020</td>
<td>July 15, 2020</td>
</tr>
<tr>
<td>Q2-2020 Estimated Tax Payments</td>
<td>June 15, 2020</td>
<td>July 15, 2020**</td>
</tr>
<tr>
<td>Philadelphia School Tax</td>
<td>April 15, 2020</td>
<td>April 15, 2020</td>
</tr>
</tbody>
</table>

* Can be extended to September 15, 2020 by filing Form 7004

** IRS Notice 2020-23, issued April 9, 2020 extends the 2020 Federal 2nd Quarter Estimate to July 15, 2020
**FFCRA Paid Sick Leave Credit**

<table>
<thead>
<tr>
<th>Eligibility:</th>
<th>Businesses and tax-exempt organizations with &lt; 500 employees (employers with &lt;50 employees can claim exemption)</th>
</tr>
</thead>
</table>
| Amount of credit: | 1. Credit covers 100% of qualified sick leave wages up to $511/day for up to 10 days (up to $5,110 total per employee)  
2. Credit covers 100% of qualified health plan expenses allocable to qualified sick and family leave wages  
3. Credit covers employer’s share of Medicare taxes (1.45%) |
| Qualified sick leave wages: | Wages paid to an employee between April 1, 2020 and December 31, 2020 who is unable to work (including telework) due to:  
1. Quarantine or isolation order from Federal, state, or local order related to COVID-19  
2. Advised by a health care provider to self-quarantine due to COVID-19 related concerns  
3. Experience of symptoms of COVID-19 and seeking a medical diagnosis |
| Claiming the credit: | Form 941 – Employer’s Quarterly Federal Tax Return  
Reduce Federal Tax Deposit  
Form 7200 – Advance Payment of Employer Credits Due to COVID-19 |
## FFCRA Paid Family Leave Credit – to care for someone with Coronavirus

<table>
<thead>
<tr>
<th>Eligibility:</th>
<th>Businesses and tax-exempt organizations with &lt; 500 employees (employers with &lt;50 employees can claim exemption)</th>
</tr>
</thead>
</table>
| **Amount of credit:** | 1. Credit covers 100% of qualified sick leave wages at 2/3 regular pay with a maximum of $200/day for up to 10 days *(up to $2,000 total per employee)*  
2. Credit covers 100% of qualified health plan expenses allocable to qualified sick and family leave wages  
3. Credit covers employer’s share of Medicare taxes (1.45%) |
| **Qualified sick leave wages:** | Wages paid to an employee between April 1, 2020 and December 31, 2020 who is unable to work (including telework) due to:  
1. Caring for someone with coronavirus  
2. Caring for a child because the child’s school or place of care is closed  
3. Caring for a child because the paid childcare provider is unavailable due to coronavirus |
| **Claiming the credit:** | Form 941 – Employer’s Quarterly Federal Tax Return  
Reduce Federal Tax Deposit  
Form 7200 – Advance Payment of Employer Credits Due to COVID-19 |
**FFCRA Paid Expanded Family Leave Credit – to care for children due to daycare or school closure**

<table>
<thead>
<tr>
<th>Eligibility:</th>
<th>Businesses and tax-exempt organizations with &lt; 500 employees (employers with &lt;50 employees can claim exemption)</th>
</tr>
</thead>
</table>
| Amount of credit: | 1. Credit covers 100% of qualified sick leave wages at 2/3 of regular pay with a maximum of $200/day for up to 10 weeks (up to $10,000 total per employee)  
2. Credit covers 100% of qualified health plan expenses allocable to qualified sick and family leave wages  
3. Credit covers employer’s share of Medicare taxes (1.45%) |
| Qualified sick leave wages: | Wages paid to an employee between April 1, 2020 and December 31, 2020 who is unable to work (including telework) due to:  
1. Caring for a child because the child’s school or place of care is closed  
2. Caring for a child because the paid childcare provider is unavailable due to coronavirus |
| Claiming the credit: | Form 941 – Employer’s Quarterly Federal Tax Return  
Reduce Federal Tax Deposit  
Form 7200 – Advance Payment of Employer Credits Due to COVID-19 |
Paid Sick Leave Credit and Family Leave Credit

Practical Tips:
• Notify your payroll processing company of any qualified wages
• PPP loan recipients are eligible for these credits, but wages paid are not considered qualified payroll expenses for the purposes of loan forgiveness.
**Employee Retention Credit**

| Eligibility: | Businesses and tax-exempt organizations that either:  
1. Fully or partially suspended operations during any calendar quarter in 2020 due to orders from an appropriate governmental authority due to COVID-19; or  
2. Experience more than 50% decline in gross receipts during the calendar quarter in 2020 when compared to same quarter in 2019. |
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of credit:</td>
<td>Credit covers 50% of qualified wages (includes health plan expenses) up to $10,000 wages per employee (up to $5,000 total per employee)</td>
</tr>
</tbody>
</table>
| Qualified wages: | For employers with 100 or fewer employees: all wages are eligible  
For employers with >100 employees: wages paid to employees who are furloughed or face reduced hours |
| Claiming the credit: | Form 941 – Employer’s Quarterly Federal Tax Return  
Reduce Federal Tax Deposit  
Form 7200 – Advance Payment of Employer Credits Due to COVID-19 |

*Practical Tip: measure your gross receipts for each quarter to determine eligibility for this credit*
Employee Retention Tax Credit

To be considered eligible:

- Operations fully or partially suspended because of a government-mandated shutdown from COVID-19
  - Continuing operations remotely comparable to operations before the shutdown DO NOT qualify
  - Essential businesses allowed to be open DO NOT qualify
  - Closure of an essential supplier or inability for an essential supplier to deliver critical supplies will qualify
  - Required reduction in operating hours will qualify

- Gross receipts decline by more than 50% in a calendar quarter over same 2019 quarter
  - Gross Receipts include all receipts, including investment income, and are not reduced by COGS
  - Decline does NOT have to be related to COVID-19
  - Employer will continue to be eligible until the quarter following the receipts recovering to at least 80% over same 2019 quarter

- PPP loan recipients are not eligible for this credit
# Social Security Tax Deferral

<table>
<thead>
<tr>
<th>Eligibility:</th>
<th>Most employers, including self-employed individuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of deferral:</td>
<td>Employer’s portion of social security tax (6.2%)</td>
</tr>
<tr>
<td>Deferral Period:</td>
<td>For wages paid between March 27, 2020 through December 31, 2020</td>
</tr>
<tr>
<td>Payment due:</td>
<td>Deferred tax due in two equal installments on December 31, 2021 and December 31, 2022</td>
</tr>
<tr>
<td>Claiming the credit:</td>
<td>Form 941 – Employer’s Quarterly Federal Tax Return Reduce Federal Tax Deposit</td>
</tr>
</tbody>
</table>

Practical Tip: PPP recipients can take advantage of the deferral until their loan is forgiven.
Thank you for joining us today!