Insperity
HR that Makes a Difference™

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

President Trump has signed into law the CARES Act which is designed to address the economic and health impacts of the COVID-19 pandemic, including providing relief for small and medium-sized business that are facing unprecedented challenges at this time.

The centerpiece of the CARES Act for small and medium-sized businesses is the Paycheck Protection Program, which we believe will provide the greatest benefit to many of our clients.

Note: If an employer receives a Paycheck Protection Loan (PPL), that employer may not be eligible for other CARES Act programs that are specified such as the Employee Retention Tax Credit and the Payroll Tax deferment option. The business community continues to digest the implications of the CARES Act and its interplay with other statutes.

Please note that this information is preliminary, and we are still reviewing the final text of the CARES Act. Our teams remain focused on finding ways that Insperity can work with our clients as they seek assistance under this and other programs.

Paycheck Protection Program

Loan process

Loans will be available and serviced through existing SBA-certified lenders, including banks, credit unions and other financial institutions. The CARES Act directs the SBA and the U.S. Treasury to bring additional lenders into the program.

The goal is to have same day approval and disbursement. Insperity is working to deliver reporting to clients to assist with determining average monthly "payroll costs". Clients may want to set appointments with their local banks in anticipation of high volume.

Eligibility

Qualifying businesses that have suffered significant disruption as a result of COVID-19 are eligible to receive no-fee "paycheck protection loans."

Qualifying small businesses generally include employers with less than 500 employees, whether employed on a full-time, part-time or other basis; and nonprofits (except those receiving Medicaid funds).

Depending on SBA small business definitions, the maximum number of employees may be higher for certain industries.

These loans are non-recourse, require no personal guarantee and are unsecured (i.e., no collateral is required). Good faith certification is required to prove the loan is necessary due to uncertain economic conditions caused by COVID-19, and funds will be used to support ongoing operations and retain employees.

Amount of loan

Loan amount up to 2.5 times average monthly "payroll costs" for the last 12 months up to annual rate of pay of $100,000 per employee (Loans may not exceed $10 million). Different rules apply to seasonal businesses or companies that were not in business from Feb. 15, 2019 to June 30, 2019.

Payroll costs generally:

- Include payments for: (1) salary, wages & commissions, (2) payment of cash tips or equivalent, (3) covered leave, (4) separation allowances, (5) group health care benefits, including insurance premiums, (6) retirement benefits, and (7) state or local taxes assessed on employee compensation

- Excludes: (1) compensation of an employee in excess of an annual salary of $100,000, (2) certain taxes imposed or withheld under the Internal Revenue Code, (3) any compensation to an employee whose principal residence is outside the United States, and (4) qualified sick leave wages and family leave wages for which a credit is allowed under the Families First Coronavirus Response Act

Loan forgiveness

- Portion of the loan used to cover payroll costs, interest on mortgages, rent and utilities over an eight-week period from loan origination will be forgiven.

- Amount of loan forgiveness reduced by any reductions in an employee's wages (in excess of 25%) or reduction in the number of employees, unless employer eliminates the salary reduction or rehires employee by June 30, 2020.

- Any loan amounts not forgiven is carried forward as an ongoing loan with maximum term of 10 years and 4% interest rate, subject to complete payment deferral relief for six to 12 months.