[**Note:** For liability protection purposes, your firm should retain a list of the clients to whom this communication is sent.]

**Business Client Notification — COVID-19 Relief Measure**

<Date>

<Client Representative>
<Client Name>
<Client Address>

RE: COVID-19 Relief Measures for Businesses

Dear <Client Representative>,

As the impact of COVID-19 continues to be felt across our personal and professional lives, we continue to work hard to support our clients during these unprecedented times.

On March 27, 2020, President Trump signed the ***Coronavirus Aid, Relief, and Economic Security Act*** (“CARES Act”). The $2 trillion economic stimulus package is designed to help minimize the economic damage caused by COVID-19. Provisions include, among other things, economic relief for small businesses through federal loan programs as well as a number of federal income tax provisions for businesses.

This communication highlights some key COVID-19 economic relief measures for small businesses that might be beneficial to your company during this crisis. This list is not all-inclusive. The information provided is based on our firm’s current understanding of the interim guidelines. Ongoing legislative efforts could modify the below provisions in the days and weeks to come.

**Small Business Administration (“SBA”) Loan Programs**

New and expanded SBA programs to help small businesses (typically considered less than 500 employees) affected by this pandemic include:

* ***The Paycheck Protection Program Loan (PPP):*** This loan provides for capital to cover the cost of retaining employees, as well as paying rent, utilities and mortgage interest. PPP has a partial forgiveness component if certain requirements are met. A business that takes a PPP loan will NOT qualify for the **Employee Retention Credit** noted in the *Other Business Relief Measures* section below. As such, we encourage you to give serious consideration to what option may be more advantageous to your company. ***Note that funding for the PPP loan program is available only through June 30, 2020. Any business considering applying for the PPP loan program should do so as soon as possible.***
* ***Economic Injury Disaster Loan (EIDL):*** This loan is designed to cover payroll and other operating expenses that a business could have met had the disaster not occurred.
* ***Emergency Economic Injury Grants (EEIG):*** This grant program is a subset of the EIDL designed to provide an infusion of cash up to $10,000. EEIG grants are advances against EIDL loans. The time frame for receipt of funds is typically within 3–4 days.
* ***Small Business Debt Relief Program:*** The SBA is providing a financial reprieve to small businesses during the COVID-19 pandemic. As part of the debt relief program efforts the SBA will:
	+ Pay the principal, interest, and fees of **current 7(a), 504, and microloans** for six months.
	+ Pay the principal, interest, and fees of **new 7(a), 504, and microloans** issued prior to September 27, 2020.

There are specific eligibility and qualification requirements for each program. Additional funding options through the SBA may also be available. More information can be found on the [SBA website](https://www.sba.gov/funding-programs/loans/coronavirus-relief-options).

**We strongly encourage you to carefully and immediately review your company’s financial situation. Please contact us as soon as possible if you would like our assistance in evaluating available loan options as some of the programs have a limited window of opportunity.**

**Other Business Relief Measures**

In addition to the small business loans, the CARES Act also includes the following business tax provisions offering economic relief:

* **Employee Retention Credit for employers:** The CARES Act provides a refundable payroll tax credit for 50% of wages paid by eligible employers to certain employees during the COVID-19 crisis. The credit is not available to employers receiving Small Business Interruption Loans.
* **Delay of payment of employer payroll taxes:** The CARES Act allows taxpayers to defer paying the employer portion of certain payroll taxes through the end of 2020. The deferred amount is payable half on December 31, 2021, and the balance on December 31, 2022.
* **Modification of net operating losses (NOLs) incurred in 2018, 2019, and 2020:** Temporarily removes the 80% taxable income limitation for NOLs. Also, NOLs from these years may be carried back up to five years.
* **Corporate minimum tax credit (MTC) is accelerated:** The CARES Act allows corporations to claim 100% of AMT credits in 2019. It also provides for an election to take the entire refundable credit in 2018 by filing an amended 2018 federal income tax return.
* **Deductibility of interest expense:** Under TCJA, for taxable years beginning after December 31, 2017, the deduction for business interest was limited to the sum of business income, floor plan financing interest, and 30% of the “adjusted taxable income” of the taxpayer for the taxable year, with the amount of disallowed interest generally carried forward indefinitely. The CARES Act increases that limit to 50% of adjusted taxable income for tax years beginning in 2019 and 2020, thus allowing taxpayers to deduct more of their business interest. In addition, a business can elect to use its 2019 adjusted taxable income in computing its 2020 limitation if that would produce a greater interest deduction. Special rules apply to partnerships.
* **Bonus depreciation for qualified improvement (QI) property:** The CARES Act provides a technical correction to the TCJA and specifically designates QI property as 15-year property for depreciation purposes, which makes QI property a category eligible for 100% bonus depreciation.
* **Special deductions:** The CARES Act provides that the limitation on corporate charitable contributions is increased to 25% of the corporation’s taxable income (previously 10% of taxable income).

Given the legislative guidance currently available as of the date of this communication, there may be limitations associated with the availability of certain economic relief provisions to your business. For example, the **Employee Retention Credit for employers** is not available if you have a **Paycheck Protection Program loan**.

Also, certain provisions of the CARES Act have retroactive application and may require the filing of applicable forms to amend previously filed federal income tax returns. Special rules may apply to partnerships that are subject to the partnership audit rules that became effective for tax years beginning after December 31, 2017.

As previously noted, legislative guidance is still forthcoming. Therefore, the items discussed in this communication are subject to change. We anticipate that more updates and/or clarifications will be forthcoming.

**Take Action Now!**

The economic relief provisions of the CARES Act and other legislative efforts are complex and need to be applied to specific factual situations. If your business has been negatively impacted by the pandemic, we strongly encourage you to immediately assess your business situation and carefully evaluate your financing needs.

We recognize that these are difficult times and we remain committed to supporting you. If you would like our assistance with evaluating how these small business loan programs and/or economic relief measures may help your company, please contact us as soon as possible.

Sincerely,

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<Accountant Name>