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Beyond the Portfolio Part 2 - How the CARES Act Can Help Small Businesses and Hospitals

As we continue to manage the effects of COVID-19 as well as understanding the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Weiss, Hale & Zahansky Strategic Wealth Advisors is dedicated to keeping you up to date with information. This week's focus will be on outlining the CARES Act's provisions that relate specifically to businesses and hospitals. Many small businesses are being negatively affected by COVID-19, but the CARES Act is designed to help mitigate those effects to maintain immediate business operating costs, help pay employees, and stay afloat. As we discussed last week, there are rapid changes happening in the global economy. We are aiming to assist our community beyond the investment portfolio as we navigate these uncertain times together.

How the CARES Act Can Help Small Businesses

As many people know, small businesses have been seeing significant impacts due to the sudden decrease in consumer activity as everyone practices self-isolation and social distancing. Under the CARES Act, there are three main aspects directed at alleviating the effects of COVID-19 on small businesses: how to maintain immediate operating costs, how to pay employees, and how to stay afloat.

If your company is in need of immediate cash assistance, an Economic Injury Disaster Loan (EIDL) or Grant may help you. The CARES Act increases the accessibility of a Small Business Administration (SBA) EIDL to more recipients (e.g., ESOPs and sole proprietors). These grants provide an emergency advance of up to \$10,000 to small businesses and private non-profits harmed by COVID-19 within three days of applying for an SBA Economic Injury Disaster Loan (EIDL). To access the advance, you first apply for an EIDL and then request the advance. The advance does not need to be repaid under most circumstances, and may be used to keep employees on payroll, to pay for sick leave, meet increased production costs due to

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supply chain disruptions, or pay business obligations, including debts, rent and mortgage payments. In addition to the grant portion, EIDLs offer lower interest loans of up to \$2 million, with principal and interest deferment at the Administrator's discretion. EIDL loans are available to pay for expenses that could have been met had the disaster not occurred, including payroll and other operating expenses.

The SBA is also offering federally backed loans under the Paycheck Protection Program, allowing small businesses to borrow up to \$10 million and defer payments for six months to one year. Forgiveness for a portion of the loan amount may be available for expenses incurred for maintaining payroll, group health insurance, and certain preexisting debt and utility obligations during the eight-week period following the origination of the loan. One thing to keep in mind is that the amount of forgiveness will be reduced if there is a decrease in the business's total number of employees and/or a significant decrease in compensation to employees during the period of February 15, 2020, through June 30, 2020. Small businesses could apply for and receive loans to cover their payroll and other qualifying expenses starting April 3, 2020. The completed application form can be submitted to any SBA Participating Lender or FDIC-insured depository institution. For more information pertaining to the guidelines, including how to apply, visit <https://www.sba.gov/funding-programs/disaster-assistance>.

Another aspect of the CARES Act designed to help businesses are the tax provisions. Businesses that experienced a significant decline in gross receipts compared to the prior year may be eligible for a payroll tax credit of up to 50 percent of wages paid during the crisis. Only the first \$10,000 of wages per employee would qualify for this credit, and eligibility for this credit varies. For example, those who receive the PPP loan are not eligible. The tax provisions allow taxpayers to defer paying the employer portion of certain payroll taxes through the end of 2020, with all 2020 deferred amounts due in two equal installments, one at the end of 2021, the other at the end of 2022.

Finally, with the Tax Cuts and Jobs Act of 2017 (TCJA), businesses were limited in their ability to use net operating losses (NOL) to offset income. Under the CARES Act, NOL arising from the tax years 2018 and later may be carried back five years to offset income in such years. As a result, some businesses may be able to amend past tax returns and generate tax refunds that were otherwise unavailable. Speak to your tax preparer for specific guidance on how to best manage for your business.

Provisions Directed at Supporting Hospitals

Many hospitals are trying to navigate sudden increases in COVID-19 patients, as well as a significant need for equipment to help protect their employees and

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patients. The CARES Act allocates over \$140 billion in appropriations to support the U.S. health care system. A large portion is dedicated to providing personal and protective equipment for health care workers, testing supplies, increased workforce and training, accelerated Medicare payments, and supporting the CDC, among other health investments.¹ Specifically, there is \$100 billion dedicated to an emergency fund for the Department of Health and Human Services to make grants available to providers. Several provisions relevant to hospitals and health systems as businesses and employers may provide additional sources of needed revenue.

Living Well Beyond the Portfolio

During these uncertain and unprecedented times, it is important to focus on ways to Live Well.™ beyond your investment portfolio or retirement plan. If you are a business owner, have confidence in knowing that there are policies in place to look out for you, your employees, and your families. Though the effects of COVID-19 will not impact our daily lives forever, it is important to practice ways to Live Well.™ to make it to the light at the end of the tunnel. Weiss, Hale & Zahansky Strategic Wealth Advisors is dedicated to empowering the community to Live Well, which at this time means staying healthy, and staying safe.

For more information regarding the effects of COVID-19 and the CARES Act, including articles, resources, and podcasts, visit the resource guide on our website, www.whzwealth.com/covid19-resources.

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¹ Leon LaBrecque, "The CARES Act has passed: Here are the highlights." Forbes.

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