

Dear Clients and Friends

As you probably are aware, the President signed the new stimulus bill; the Coronavirus Aid, Relief, and Economic Security (CARES) Act yesterday, March 27, 2020. The bill is massive (nearly 900 pages) and includes a variety of economic stimulus measures, some of which are implemented through the tax code, some by the Small Business Administration (SBA), and some by other government agencies. The law was initially introduced in the Senate by Mitch McConnell on March 19 and over the following week negotiations between members of both parties eventually produced the law that the President signed yesterday and is now being implemented. While the basic framework of the initial bill structure introduced in the Senate a week ago did not change, many of the details did between the initial draft and the final law that passed the Congress and the President signed. This has created some confusion in the business community because information that was sent around or discussed in the media about the contents of the initial draft of the bill is different than what eventually became law yesterday. Please be careful when reading or listening to commentaries that they were written or updated on or after March 26 and were written by a knowledgeable source.

The law is complicated and addresses broad policy objectives the Congress and the Administration sought to achieve. However regulations are needed to implement the new law which will be written in the next few days and weeks and will affect the actual implementation of the law and its impact. Since we do not know the details of those regulations yet, many of the questions being asked about the new simply do not currently have answers, although we can make educated guesses about how we think they will be drafted and the law interpreted based on prior experience. Obviously this lack of certainty makes it difficult to plan (especially for businesses) and the details contained in the Regulations will DEFINITELY matter. This week we gained a bit of perspective of what to expect based on regulations the Department of Labor released about implementation of the Families First Coronavirus Response Act (FFCRA) which was signed into law last week.

The DOL regulations were surprisingly business friendly and it is encouraging to see that the Government seems to be taking a very taxpayer friendly approach in writing and issuing regulations to implement these new laws. The President and the Congress clearly want these stimulus measures deployed as quickly as possible to help keep the economy from completely collapsing and to help businesses survive for a few months until this health crisis passes. The IRS, SBA, DOL, and other agencies will be under a lot of pressure in the coming days to issue regulations to implement the new law as quickly as possible to get money flowing from the government to both families and businesses. Many businesses we are talking with daily are very, very worried they will not be able to survive without help that this stimulus package provides.

The business loans that most businesses will be eligible to get from the SBA under the new program will be a lifeline to help keep them alive long enough to weather the storm. There are very few businesses with employees (including self-employed's) that I can think of that will NOT benefit from obtaining one of these loans which are expected to begin funding in a week or

so. These SBA loans will be nonqualifying (very limited financial information required), not personally guaranteed by the business owner (non-recourse), have no fees, interest is capped at 4%, are repayable over 10 years (can be prepaid with no penalty), and some or all of the loan may be forgiven based on how the money is used and the business' retention of employees over the next few months. To cap things off, the portion of the loan that is forgiven will NOT be considered taxable income to the business (which it otherwise would be). This is a unique program and is basically a business grant made in the form of a loan (some are referring to them as GROANS) if the money is used as it is intended to retain workers and pay overhead (rent, utilities, and interest). Determining the loan amount is pretty simple, it will be 2-1/2 months of average monthly payroll expense from the last 12 months excluding compensation in excess of \$100,000 to any employee. There are lots of details and the regulations may add other stipulations, but this is the gist of the new SBA program.

I am spending most of my days (and nights) reading the rapidly changing information coming from Washington, states and even localities and talking with business owners about implementing those into their specific circumstances. Difficult decisions are being made every day which have trickle down effects on employees, vendors, customers, and others. In spite of the stress many are under, I am seeing bright spots and the prospect of calmer waters is beginning to appear on the horizon. Business are helping other businesses by deferring, reducing or eliminating operating costs to help each other survive. Banks are offering temporary relief on loans and agreeing to reduced or deferred payments. Individuals are helping each other and staying in touch through technology that didn't exist several years ago. Great grandmothers are using Zoom to have virtual tea parties! Who would have thought?!? Business overall is much slower but it has not stopped completely for most businesses that have any way to remain open (including working from home) and many businesses I assumed would have zero income with the stay home orders are finding creative ways of engaging customers which would have never otherwise been tried and may spark new business opportunities in the future. Chaos creates Opportunity and many are turning their current challenges into new ways of operating which may continue beyond the current crisis.

This is NOT 2008-09 and this NOT another Great Recession. Former Fed Chair Ben Bernanke confirmed that this week. Banks are in much better shape financially now than they were then and are trying to be part of the solution this time, not the cause of the problem. From what I am seeing and hearing, they are actually trying to help businesses stay alive, not put them out of business as happened during the Great Recession (apologies to my banker friends). Democratic and Republican leaders actually can agree that the impact of the Coronavirus is being felt by virtually everyone and for the first time in quite a while are working in a bipartisan manner to deal with the crisis as evidenced by the 96-0 vote on the new law in the Senate this week followed by rapid passage in the House. I AM worried about the health of those who have contracted the virus and those brave souls in the healthcare field taking care of them. I believe they, and the people still working to keep the essentials of our economy functioning, are our heroes. I hope that the great companies working on a cure and a vaccine will find one soon and beat this threat to our health and our healthcare system. Let's hope that happens as quickly and as safely as possible and that many lives are saved as a result.

We will be back to normal in the not too distant future. Jim Melvin, one of our former mayors, used the acronym EGBAR during the darkest times of the Great Recession to help encourage everyone that Everything is Gonna Be All Right. That sums up concisely where I believe we are today. We will get through this and we will get through it together by helping each other through the many, many acts of kindness and generosity I am seeing or reading about each day.

Attached are two summaries of the CARES Act which the President signed into law yesterday. One version is written by CCH, our tax research service, and is a good overview of just the tax law changes in the new law with a bit of perspective on what each means to taxpayers. The second is a more comprehensive "Cliff Notes" version of the entire CARES Act written by Steptoe & Johnson a highly respected Washington DC based international law firm which is quite lengthy and detailed for those who want or need more information. We are all deciphering the law and figuring out what it means for our clients and how to implement into practice. Virtually every conversation leads to more questions but there is a high degree of communication and coordination happening as professionals, business people, industry leaders, and others openly share information to help each other figure out answers and share information as it becomes available. Please do not hesitate to contact us if you have questions or want to discuss the impact on you or your business. I can be reached on my mobile at (336) 918-1000 and our office continues to remain open on an appointment basis as we are considered an essential business under our local Stay Home order.

Please keep supporting each other and remember EGBAR!

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