Very encouraging news from CARES Act, just passed by the Senate and now heading to the House. With respect to business loans:

1. $350 billion “paycheck protection loan” program from 2/15/20 to 6/30/20.
2. Available to businesses (and nonprofits) with fewer than 500 employees.
3. Administered through the SBA with all fees waived.
4. Guaranteed by the federal government through 12/31/2020.
5. Nonrecourse and no personal guarantees required.
6. Maximum maturity of 10 years and interest rate not to exceed 4%
7. Proceeds to be used to cover payroll, mortgage interest, rent, and utilities.

 Loan amount is the LESSER of $10 million or the average monthly payroll costs (below) for the 1 year period ending on the date the loan was made times 2.5.

 Payroll costs include:

1. Wages, salary, commission to an employee or independent contractor.
2. Payments for vacation and sick leave
3. Payments for group health insurance
4. Payments for retirement benefits

 *Payroll costs exclude any employee compensation in excess of $100,000.*

 Example:

Average monthly payroll is $200,000. With the 2.5 multiplier, the loan amount cannot exceed $500,000.

 Here’s the best part. The loan is forgiven to the extent that the proceeds are used in the subsequent 8 weeks after loan disbursement for:

* Payroll costs (see above)
* Mortgage interest
* Rent
* Utility payments (to be defined)

 To seek forgiveness, you must submit documentation and, in general, you cannot reduce your workforce in that 8 week period.

 The Act has several additional changes of interest such as:

1. Finally, the fix to Qualified Improvement Property that will allow full deduction (as bonus depreciation) retroactive to 2018.
2. Adjusts the 163(j) interest expense rules, increasing the limit from 30% to 50% for 2019 and 2020.
3. Elimination of the business loss rule of Sect 461 for 2018 to 2020.
4. Ability to again carry*back* NOLs occurring in 2018, 2019, and 2020 to five years earlier. (The 2017 Act only allowed a carryforward which was then limited to 80%).

 Of course, each of the terms above are further defined and it is not yet law.