



April 6, 2020

First-time jobless claims for the week ending 2/01/20 were 201,000, its lowest level since 11/15/69. Just 8 weeks later, nearly 10 million filed for jobless claims in just two weeks (source: DOJ). As you know, many private businesses have paused their operations as we deal with COVID-19.

Today we are sharing some information we've gathered and received regarding the new tax laws and the national programs to support families and businesses during these unique times. All of the information below are from sources we believe to be reliable. Anything that is tax related, we advise you to confirm and discuss with your CPA or tax professional.

For retirement accounts:

- No required minimum distributions from retirement accounts for 2020: IRAs (including SEP and SIMPLE IRAs), 401(k) plans, 403(b) plans, and 457(b) plans
- \$100,000 may be withdrawn prior to age 59 1/2 and 10% penalty will be waived if you meet certain conditions: either money is re-deposited back or taxes paid within 3 years
- 401(k) loan limits increased to \$100,000



Small business owners (under 500 employees):

- can access the Paycheck Protection Program for funds to pay up to 8 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities. Payroll costs are capped at \$100,000 on an annualized basis for each employee.
- can receive SBA loans equal to 2.5 times their monthly payroll, mortgage, rent, and debt payment expense, up to \$10 million.

These funds can be forgiven – for employers who do not lay off workers - provided at least 75% of the funds are used for payroll expenses. More information can be found at [www.sba.gov](http://www.sba.gov).

Small businesses can defer payroll and employment taxes for 2020, making payments over the following two years. Beginning last Friday, April 3, 2020, small businesses and sole proprietorships could begin applying. Starting April 10, 2020, independent contractors and self-employed individuals can apply. We encourage you to apply as quickly as you can because there is a funding cap.

The Paycheck Protection Program is implemented by the Small Business Administration with support from the Department of the Treasury. A list of participating lenders and information on full terms can be found at [www.sba.gov](http://www.sba.gov).

For individuals:

- Student loan payments and interest on federal loans have been suspended until September of 2020
- Tax filing deadline and payment deadline extended to July 15, 2020
- Net operating losses from 2018-2020 can be carried back up to FIVE years; the CARES Act repeals the 80% income limitation for NOL carryovers. Furthermore, they can fully offset taxable income. That's big news.
- COVID19 tests must be covered by your insurance, as must a vaccine (once we have one, of course)

If you are a small business owner, besides considering the Paycheck Protection Program, we also suggest you consider looking at:

- Emergency Economic Relief Grant: Immediate \$10,000 grant payable to those who apply for an Economic Injury Disaster Loan.
- Economic Injury Disaster Loan: Loans of up to \$2mm, 3.75% interest rate, plus principal and interest deferrals up to four years.
- SBA Small Business Debt Relief Program: SBA will cover all loan payments - including interest, principal and fees - for 6 months on existing and new loans.
- As of now, Q2 estimated tax payments are **still due** on June 15. This may change

\*Here is the loan application for the Paycheck Protection Program: <https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Application-3-30-2020-v3.pdf>



I know this is a ton of information. Believe it or not, we cut out a bunch of details to try and provide you just some of the highlights. There are many opportunities to make smart money decisions right now during this temporary crisis.

As always, we are here for you when you need us.

**\*If you aren't yet a Pacific Capital client, we are still happy to speak with you. You may schedule a free 20-30 minute Goals Conversation® with us by visiting [www.goalsconversation.com](http://www.goalsconversation.com) today - no cost or obligation involved. You may also click [HERE](#) for our google reviews.**

