



The Health and Economic Recovery Omnibus Emergency Solutions ACT HEROES ACT

July 15, 2020

Dear Friends & Clients,

As you may know, we've been working with our business owner friends and clients as they navigate the CARES Act in what turned out to be a complex and often misunderstood application process. Related, we've also assisted in understanding the Health and Economic Recovery Omnibus Emergency Solutions ACT (HEROES) which was passed by the U.S. House of Representatives on May 15, 2020 at a cost of 3 trillion dollars. We thought it appropriate to provide an update as to the progress in the last two months.

The "Act" has numerous provisions that extend or expand on the CARES Act passed in March. As of this writing it has not passed the Senate and isn't expected to pass in its current form. The Act provides additional relief for individuals and businesses that have been negatively impacted by the coronavirus outbreak. Some areas covered are expanded food and unemployment assistance, assistance for struggling state and local governments, another \$1,200 relief payment, hazard pay for essential front-line workers, housing assistance fund to help pay rents and mortgages and health insurance premium payments for employees that have been laid off.

Business Provisions

The CARES Act allows net operating losses (NOL) arising in 2018 - 2020 to be carried back five years. It also removes the taxable income limitation to allow an NOL to completely offset income. The HEROES Act would modify the CARES Act NOL by limiting carrybacks to tax years on or after January 1, 2018. This change would prevent a taxpayer from carrying back an NOL (generated in a year when the tax rate was 21%) to offset income that was taxes at a tax rate of 35%.

The Paycheck Protection Program (PPP) is being reformed to extend the covered period from June 30, 2020 through December 31, 2020. This gives the borrower 24 rather than 8 weeks to spend the amount borrowed. The Act also clarifies that expenses paid with PPP loans that are forgiven are tax deductible.

The Employee Retention Tax Credit (ERTC) under the CARES Act allows employers a refundable payroll tax credit up to \$5,000 per paid employee (50% of up to \$10,000 in qualified wages paid to employees who are not working for business with 100 or less employees). To qualify a company's operations, have to be suspended by governmental authority or have a significant decline in gross receipts (defined as less than 50% of revenue from the same quarter in 2019). Eligible employers may qualify for a refundable tax credit against the employer portion of Social Security tax. The HEROES Act increases the maximum credit to 80% of qualified wages up to \$45,000 per paid employee. The bill also modifies the gross receipts requirement to allow for a partial credit if the decline in gross receipts is between 10 and 50%. The credit applies to wages paid after March 12, 2020, and before January 1, 2021. Businesses cannot take this credit if they have debt forgiven by the CAREs act for loans provided by the SBA. The HEROES Act changes this by allowing businesses that take out Paycheck Protection Program loan to qualify for the credit. To prevent any double-dipping, an employer would have to either exclude

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qualified wages from “payroll costs” for purposes of determining its loan forgiveness under the PPP, or to exclude qualified wages for purposes of calculating the employee retention tax credit.

Lawmakers are expected to begin negotiations on the bill when they return from their two-week break on July 21st. If they don’t act by the time they recess again on August 8th nothing will happen until they return in mid-September.

SAGE Private Wealth Group is ready to assist our small business clients, friends and community members as they consider and navigate the several relief programs offered by the government. Please pass this communication along with our contact information to others that are important to you and that you believe would benefit from this information. If you found this to be informative and useful, please let us know.

As always, we value your trust and relationship.

Kind Regards,
SAGE Private Wealth Group

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