



# Coronavirus Aid, Relief and Securities (CARES) Act

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Course #3232A

Taxes

2 Credit Hours

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# CORONAVIRUS AID, RELIEF AND SECURITIES (CARES) ACT

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This course covers the most significant aspects of the Coronavirus Aid, Relief and Securities (CARES) Act. It is in a format that summarizes the key points of the act and then a thorough FAQ section that will hopefully answer many of your questions.

## LEARNING ASSIGNMENTS AND OBJECTIVES

*As a result of studying each assignment, you should be able to meet the objectives listed below each individual assignment.*

### SUBJECTS

#### Coronavirus Aid, Relief and Securities (CARES) Act

Study the course materials from pages 1 to 47

Complete the review questions at the end of each chapter

Answer the exam questions 1 to 10

#### Objectives:

- Identify relevant aspects of the CARES Act.
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### NOTICE

This course is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional advice and assumes no liability whatsoever in connection with its use. Since laws are constantly changing, and are subject to differing interpretations, we urge you to do additional research and consult appropriate experts before relying on the information contained in this course to render professional advice.

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## EXAM OUTLINE

- **TEST FORMAT:** The final exam for this course consists of 10 multiple-choice questions and is based specifically on the information covered in the course materials.
- **ACCESS FINAL EXAM:** Log in to your account and click Take Exam. A copy of the final exam is provided at the end of these course materials for your convenience, however you must submit your answers online to receive credit for the course.
- **LICENSE RENEWAL INFORMATION:** This course qualifies for **2** CPE hours.
- **PROCESSING:** You will receive the score for your final exam immediately after it is submitted. A score of 70% or better is required to pass.
- **CERTIFICATE OF COMPLETION:** Will be available in your account to view online or print. If you do not pass an exam, it can be retaken free of charge.

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# CHAPTER 1: CORONAVIRUS AID, RELIEF AND SECURITIES (CARES) ACT

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## Chapter Objective

### After completing this chapter, you should be able to:

- Identify relevant aspects of the CARES Act.

## CARES Act Summary

This summary is much lengthier than the summary for the FFCRA because the CARES Act is a much more detailed bill (880 pages in length).

## KEEPING AMERICAN WORKERS PAID AND EMPLOYED ACT

### Paycheck Protection Program (PPP)

- The program is open until June 30, 2020, however you are encouraged to apply as quickly as possible because there is a funding cap and lenders need time to process the loan.
- All existing SBA-certified lenders will be given delegated authority to process PPP loans.
- All federally insured depository institutions, federally insured credit unions, and farm credit institutions are eligible to participate in this program.
- The Paycheck Protection Loan Program, with a price tag of \$349 billion, covers the period February 15, 2020 through June 30, 2020 and greatly expands SBA loan eligibility. The loan program will allow businesses suffering due to the coronavirus outbreak to borrow money for a variety of qualified costs related to employee compensation and benefits, including (i) payroll costs, (ii) continuation of health care benefits, (iii) employee compensation (of those making less than \$100K), (iv) mortgage interest obligation, (v) rent, (vi) utilities and (vii) interest on debt incurred before the covered period.
- The legislation greatly expands the number of businesses that are eligible for SBA loans and raises the maximum amount for such a loan by 2.5 x the average total monthly payroll costs, or up to \$10 million. The interest rate may not exceed 4%.
- Companies that employ more than 500 employees are not eligible.
- Waives the credit available elsewhere and person guaranty requirements.
- Provides additional relief for businesses in the accommodation and food services industries, certain franchise business and small businesses that receive financing through the Small Business Investment Company Act.

- For eligibility purposes, requires lenders to, instead of determining repayment ability, which is not possible during the crisis, to determine whether a business was operation on February 15, 2020, and had employees for whom it paid salaries and payroll taxes, or a paid independent contractor.

### **Entrepreneurial Development**

- Provides funding to educate small businesses and their employees regarding (i) Federal resources available during this time, (ii) Hazards of COVID-19 and (iii) best practices around teleworking to prevent the spread of COVID-19.

### **State Trade Expansion Program**

- Allows for federal grant funds appropriated to support the State Trade Expansion Program (STEP) in FY 2018 and FY 2019 to remain available for use through FY 2021.

### **Waiver of Matching Funds Requirement under the Women’s Business Center Program**

- Eliminates the non-federal match requirement for Women’s Business Centers for a period of three months.

### **Loan Forgiveness**

- Establishes that the borrower shall be eligible for loan forgiveness equal to the amount spent by the borrower during an 8-week period after the origination date on (i) rent, (ii) payroll costs for employees making less than \$100K, (iii) interest on a mortgage, and (iv) utility payments. The amount forgiven may not exceed the principal of the loan.
- Incentivizes companies to retain employees by reducing the amount forgiven proportionally by any reduction in employees retained compared to the prior year.
- To encourage employers to rehire any employees who have already been laid off due to the COVID-19 crisis, borrowers that re-hire workers previously laid off will not be penalized for having a reduced payroll at the beginning of the period.
- Loan payments will be deferred for 6 months.

### **Minority Business Development Agency**

- Empowers the Department of Commerce, through the Minority Business Development Agency, to provide grants to minority business centers and minority chambers of commerce to provide education, training and advising related to accessing federal resources.

## **United States Treasury Program Management Authority**

- The Department of the Treasury, consulting with the Small Business Administration and the Chairman of the Farm Credit Administration shall establish criteria to allow other lenders to participate in the Paycheck Protection Program, so long as such participation does not threaten the safety and soundness of the lender, as determined in consultation with the relevant federal banking agencies.

## **Emergency Economic Injury Disaster Loans (“EIDLs”)**

- For the period between January 31, 2020 and December 31, 2020 (the “covered period”) EIDL eligibility is expanded to individuals operating sole proprietorships, independent contractors, cooperatives, non-profits and ESOPs with not more than 500 employees.
- Furthermore, EIDLs may be approved by the Small Business Administration solely on the bases of an applicant’s credit score or by use of alternative methods to gauge the applicant’s ability to repay. Additionally, applicants may request an advance of up to \$10,000 within three days after the Administrator receives the application, subject to verification that the entity is eligible under this program. The advance may be used for any allowable purposes under §7(b)(2) of the Small Business Act and is not subject to repayment, even if the loan request is ultimately denied.
- Establishes that an emergency involving Federal primary responsibility determined to exist by the President under Section 501(b) of the Stafford Disaster Relief and Emergency Assistance Act qualifies as a new trigger for EIDLs.

## **Subsidy for Certain Loan Payments**

- For loans under §7(a) of the Small Business Act, Title V of the Small Business Investment Act, and for loans made by an intermediary using §7(m) loans or grants, the Administrator shall pay the principal, interest, and fees owed for loans in regular servicing status for any such loans, whether on deferment or not, that were made before the enactment of the Act for the following 6-month period, and for any such loans that were made between the date of enactment of the Act and six months from such date.
- This authority to pay shall extend to loans resold on the secondary market. The payments shall be made not later than 30 days from when the first payment is due and shall be applied such that the borrower is relieved of any obligation to pay that amount. The Administrator shall coordinate with relevant banking agencies to request that lenders not be required to increase reserves because of these payments.
- The Administrator will waive limits on the maximum loan maturities for loans given deferral and extended maturity during the year following enactment. The Administrator will extend lender site visit requirement timelines as necessary because of COVID-19, to within 60 days of a non-default adverse event, and 90 days of a default. \$17 billion is appropriated for the foregoing.