

# COVID-19 Update: Economic Stimulus Relief

*The Coronavirus, also known as COVID-19, pandemic has abruptly crippled American society, causing numerous deaths, a tumbling stock market, and high unemployment. All of these consequences have led Congress to pass an unprecedented \$2 trillion dollar stimulus package to help combat the ramifications individuals and businesses are facing during this pandemic. Of the numerous provisions in the stimulus package, a few of the most impactful provisions are provided below:*

## **Paycheck Protection Program**

The Paycheck Protection Program is a forgivable loan available to small businesses with fewer than 500 employees that have been impacted by COVID-19. Small business owners can request loans up to 2.5 times their average monthly payroll expenses over the previous year, with a total loan amount capped at \$10,000,000. Loans can be forgiven if the business retains all employees for eight weeks and uses the money for payroll, rent, mortgage interest, or utilities. Any unforgiven amount must be repaid in two years at a 1% annual interest rate. The program's first \$350 billion in funding was depleted within two weeks. Another \$310 billion was made available for a second round of funding.

## **SBA Economic Injury Disaster Loan Program**

Small business owners can borrow up to \$2,000,000 directly from the SBA. Interest rates are set at 3.75%, with the first payment due in 1 year from receiving the loan and a maximum term of 30 years. This loan will not be forgivable and can be used to pay expenses caused by COVID-19. The SBA also made available a forgivable Economic Injury Disaster Advance Loan for up to \$10,000. These funds have been depleted, and the SBA is not accepting additional applications at this time.

## **Small Business Tax Benefits**

Tax benefits are also available to the small businesses not utilizing the Paycheck Protection Program. First, employers and self-employed individuals will be able to delay paying the 2020 Social Security Match of 6.2%. The first half of this payment will be due on 12/31/2021 and the second, on 12/31/2022. The second benefit, is an employee retention credit which is only available to qualifying small businesses (not self-employed individuals). Small businesses can receive a fully refundable credit of 50% of qualified wages paid (\$5,000 max per employee) between 03/12/2020 and 01/01/2021.

## **Charitable Contributions**

For the 2020 tax year, individuals who take the standard deduction can take an "above the line" deduction of up to \$300 (\$600 for married couples) for charitable cash "qualified" contributions. In addition to this, the limitations on deductions of charitable cash contributions as a percentage of AGI by individuals and corporations have temporarily increased. For individuals, the AGI limit has been raised to a cap of 100% and 25% for corporations.

## Changes to Retirement Accounts

Required Minimum Distributions for Traditional and Inherited IRAs have been suspended this year. Additionally, you can now withdrawal up to \$100,000 penalty free from IRAs and 401ks (if your plan allows), or take a loan for up to \$100,000 from your 401k, for COVID-19 related expenses. Money could be redeposited to the IRA up to 3 years later, or the tax liability could be spread out over 3 years. Already existing 401(k) loans can also defer payments for up to one year. Furthermore, 2019 contributions to IRAs and HSAs can now be made up until 07/15/2020.

## Impact on Student Loans

The U.S. Department of Education has now suspended payments and the accrument of interest on direct loans and Federal Family Education Loans held by the federal government through September 30, 2020. Additionally, suspended payments during this juncture will count toward requirements for the Public Service Loan Forgiveness program and income-driven repayment plans.

*Please contact your trusted advisor if you have any questions regarding the utilization of the provisions of this stimulus package.*

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### Nick Groman, CFP®, MBA

Senior Associate, Financial Planning Specialist, MAI Capital Management

### Billy Bruns, CFP®

Associate, Financial Planning Specialist, MAI Capital Management

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**MAI Capital Management, LLC**  
1360 East 9th Street, Suite 1100, Cleveland, OH 44114  
216.920.4800 | [www.mai.capital](http://www.mai.capital) | [in](#)

Please send your questions, comments,  
and feedback to [info@mai.capital](mailto:info@mai.capital)