



Many of our business owner clients have questions about what they can do to help their business survive during these very uncertain times. Below is a collection of questions we have received, as well as some of the options available to help. Last Updated 5/5/2020.

**Bernstein does not provide tax, legal, or accounting advice.** In considering this material, you should discuss your individual circumstances with professionals in those areas before making any decisions.

Question	What Is Available?	Bernstein's Commentary
How should I approach paid leave for employees or payroll during a shutdown?	<p>The Federal government has mandated that businesses with less than 500 employees provide two weeks of paid sick leave to employees impacted by COVID-19. Certain states have policies that are more generous, including a provision in NY State that will allow caregivers to take up to 12 weeks of paid family leave while schools are closed.</p> <p>If your business is shut down, furloughed employees may be able to apply for temporary unemployment benefits.</p> <p>Under the Families First Coronavirus Response Act, signed by President Trump on March 18, 2020, small and midsize employers can take advantage of two new refundable payroll tax credits to assist with the cost of providing coronavirus-related leave to their employees.</p>	<p>At the end of the day, businesses will have relatively little flexibility as they will have to abide by the regulations issued by the federal government and state governments in which they operate.</p> <p>The CARES Act will provide \$1,200 to each taxpayer, under certain income thresholds, and will expand unemployment benefits by \$600/week (for an average total of \$900/week) for up to four months per worker. This means that the average worker in the US will make close to their annual income if they have been laid off from work.</p> <p>Owners should plan on this liability when they are creating liquidity projections. Federal government loans and tax credits can help owners meet these liabilities. See question on Federal Aid below.</p>

Question	What Is Available?	Bernstein's Commentary
<p>What are my retirement plan obligations?</p>	<p>For firms that have cash balance plans (CBP) or defined benefit plans (DB):</p> <ul style="list-style-type: none"> <li>▪ Contributions required during plan year 2019 can now be deferred until January 1, 2021, when the payments will be due with interest.</li> <li>▪ Firms can freeze plans (for plan year 2020) in order to reduce future cash contributions.</li> </ul> <p>Owners may want to stop their personal retirement plan contributions to conserve capital.</p>	<p>The deferral of contributions can help with near-term liquidity, while freezing plans can provide more liquidity in the future.</p> <p>Freezing CBP and DB plans needs to be done roughly by the end of May, with a letter to plan participants sent 45 days prior. If firms want to consider this, they must do so quickly. They can unfreeze the plan later this year or sometime in the future. Reach out to your actuary to discuss.</p> <p>Stopping personal retirement plan contributions may provide modest improvements to personal liquidity, but potentially at the cost of their long-term savings. Business owners around the country are also forgoing their salaries to help their firms weather the storm. As a potential measure of last resort, owners can avoid penalties on retirement plan distributions of up to \$100,000 to cover personal spending. Taxes owed on distributions can be spread over three years and amounts withdrawn can be recontributed within three years.</p>
<p>What can I do about my costs?</p>	<p>Reach out to your landlord, bank, etc., and see what flexibility they can offer on leases, loans, or rental/mortgage payments.</p> <p>Business owners should also reach out to suppliers and other business partners to understand and negotiate liabilities.</p>	<p>While there are no guarantees, many banks are stepping up to assist their customers during these unusual times.</p> <p>Forbes and other sites are maintaining a consistently refreshed list with actions taken by large banks. This is a good starting point, but all owners should reach out directly to see what their bank will do for them. For business partners, it's in everyone's best interest to see these companies survive and thrive. We have heard from business owners who were able to negotiate favorable terms by being proactive.</p>

Question	What Is Available?	Bernstein's Commentary
Where can I go for additional liquidity?	<p>Economic Injury Disaster Loans (EIDL) from the Small Business Administration (SBA). EIDL loans are separate from the Paycheck Protection Program loans (PPP) being financed by the CARES Act. More information on PPP loans below.</p> <p>Use money set aside for 2019 income tax payments.</p> <p>Margin Loans</p>	<p>The SBA is offering loans of up to \$2 million for small businesses impacted by the virus at competitive rates (3.75%). Applications can be filed online at <a href="https://www.sba.gov">SBA.gov</a>. It's likely that owners will not be able to receive funding from both EIDL and PPP loans. If you have already received EIDL financing, you may receive a PPP Loan and pay down the EIDL loan with the proceeds.</p> <p>Income tax payments for individuals and corporations are now due by July 15. Use the capital you set aside to pay taxes to meet more near-term bills. Note, not all states have extended the tax filing and payment dates.</p> <p>Contact your Bernstein Advisor to learn more about margin loans from your Bernstein accounts, and whether they are advisable for you.</p>
What Federal aid will there be for my business?	<p>The CARES Act authorized \$349 billion of direct loan payments to small business owners (firms with less than 500 employees). These loans are being issued under the paycheck protection program (PPP). All loans will be federally guaranteed. The original \$349 billion of funds was exhausted quickly and has been supplemented by an additional \$310 billion of funding.</p> <p>The maximum loan is the lesser of \$10 million, or a formula based on payroll costs (roughly 2.5x average monthly payroll).</p> <p>Loans will carry a fixed interest rate of 1.0% and a two-year term. Firms can defer all principal and interest payments for 6 months.</p> <p>Loans can be 100% forgiven if used for qualifying expenses. Loan forgiveness may be reduced depending on use of funds and employee retention.</p> <p>Loans will require no personal guarantees or collateral – no recourse against borrower.</p>	<p>This is hands down the most important component of the CARES Act for business owners. These PPP loans can be used to cover payroll, rent/mortgages, interest on other debt, utilities, and some other expenses. In short, these loans are meant to allow owners to keep the lights on.</p> <p>In addition, these loans qualify for forgiveness if certain conditions are met.</p> <p>There are no fees to get the loans and the borrower must simply certify in “good faith” they need help because of COVID-19 related economic uncertainty.</p> <p>All owners impacted should consider using these loans. However, it's important for business owners to act quickly. The original funding did not last long and the supplemental funds are also expected to be drawn down quickly.</p> <p>All provisions also apply to 501(c)(3) non-profits organizations, who could also benefit from applying for one of these loans.</p>

---

What Federal aid will there be for my business? (continued)

In addition to the PPP loans created by the CARES Act, business owners can explore loans offered through the Federal Reserve-supported Main Street Lending Program (MSNLF, MSPLF, MSELF loans).

MSNLF, MSPLF, and MSELF loans are available to US business with less than 15,000 employees or less than \$5.0 billion in 2019 annual revenues.

These loans will not be eligible for forgiveness, although principal and interest payments can be deferred for 12 months.

MSNLF loans will be issued at a minimum size of \$500,000 and have a maximum size equal to the lesser of \$25 million or 4x EBITDA (reduced by existing/committed debt).

MSPLF loans will be issued at a minimum size of \$500,000 and have a maximum size equal to the lesser of \$25 million or 6x EBITDA (reduced by existing/committed debt).

MSELF loans will be issued at a minimum size of \$10 million and have a maximum size equal to the lesser of \$200 million, 35% of the borrower's debt, or 6x EBITDA (reduced by existing/committed debt).

All loans will have a 4-year maturity and charge interest at a rate of LIBOR + 300 basis points. Prepayment is allowed without penalty.

Businesses can defer the employer share of Social Security taxes into 2021 & 2022.

Just like the PPP loans these loans are aimed at keeping money in the pocket of employees and therefore the borrower must attest they will make reasonable efforts to maintain and retain their employees during the loan term.

At the highest level, these loans are not as advantageous as the PPP loans because they ultimately require re-payment. That said, they remain a source of liquidity for business owners looking to bridge the gap until the economy reopens.

Affiliation rules are not as stringent as with PPP loans, opening up a potential source of funding for Private Equity and Venture-capital backed companies.

These loans also require stronger credit history, so they will likely be a bit harder to acquire than PPP loans. However, business owners can receive both a PPP loan and a MSNLF/MSPLF/MSELF loan.

The penalty free pre-payment also allows business owners to truly use these funds as a bridge and pay off loans quickly as business rebounds, limiting any ongoing interest charges.

50% of payment will be due in 2021 and the other 50% in 2022.

Question	What Is Available?	Bernstein's Commentary
Will my state government do anything to supplement federal aid?	Some states/cities are rolling out their own stimulus plans to focus directly on local economies.	<p>In general, these stimulus plans are more restrictive and aimed at micro-businesses. Still, some plans would allow for small cash infusions that may provide additional flexibility.</p> <p>Forbes is tracking this; all business owners should look closely at the state in which they operate to fully understand what options may exist.</p>
Are there any other benefits?	<p>Taxpayers can deduct higher amounts of business interest.</p> <p>If employers retain employees, they can be eligible for a 50% refundable payroll tax credit on wages paid up to \$10,000.</p> <p>Net Operating Losses earned in 2018, 19, and 20 can be carried back 5 years. NOL limit of 80% has been suspended.</p> <p>Corporate taxpayers can deduct more of their charitable contributions (taxable income limitation increased to 25%). Individuals can deduct up to \$300 of cash contributions even if they don't itemize and the AGI limitations for further deductions will be suspended for 2020.</p> <p>Unemployment benefits for employees have been increased by \$600 per week for up to four months.</p>	<p>Expanded to 50% of EBITDA, helps firms who have to increase debt to meet liquidity needs</p> <p>To qualify, employers must have experienced a decline in gross receipts of 50% or more compared to same quarter last year.</p> <p>If firms have NOLs, they can be used to fully offset taxable income.</p> <p>For business owners this likely hits the personal balance sheet more, but it's a good benefit for them to be aware of.</p> <p>Not a direct benefit to business owners, but something that should help ease their worries about employees they may have had to furlough</p>

Question	What Is Available?	Bernstein's Commentary
Will I get a direct payment from the government?	The CARES Act will allow for payments of \$1,200 per individual and \$500 per child. Amounts start to phase out for individuals with AGI over \$75,000 (\$150,000 for joint filers) and are eliminated if your AGI exceeds \$99,000 (\$198,000 for joint filers)	<p>While few would turn down a free check from the government, many business owners appear unlikely to qualify for this assistance.</p> <p>The IRS will base your AGI on your 2019 return if you have filed or your 2018 return if you have not filed. So, in the rare case that an owner could receive benefits based on their 2018 earnings, but not their 2019 earnings, there is a benefit to not filing taxes (if they haven't already).</p>

This is presented as information only and should not be construed as sales or marketing material or an offer or solicitation for the purchase or sale of any financial instrument, product or service sponsored by AllianceBernstein or its affiliates. The [A/B] logo is a registered service mark of AllianceBernstein, and AllianceBernstein® is a registered service mark, used by permission of the owner, AllianceBernstein L.P. © 2020 AllianceBernstein L.P.