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ASK THE EXPERTS WEBINAR

*The CARES Act: Keys to Maximizing
Liquidity*

4/2/20

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THE CARES ACT: KEYS TO MAXIMIZING LIQUIDITY

The CARES Act (the “Act”) provides approximately \$2 trillion in economic relief as a response to the COVID-19 pandemic.

- ▶ The Act includes:
 - ▶ Direct financial assistance to Americans;
 - ▶ Aid to small businesses and employees;
 - ▶ General efforts to stabilize the economy
- ▶ Today’s webinar will focus on specific provisions in the Act companies can utilize to access cash to manage and improve liquidity, specifically:
 - ▶ How Businesses Can Access Cash Through the Act
 - ▶ Managing Liquidity Through Tax Provisions within the Act.

KEY REMINDERS

- ▶ Riveron webcasts – past and upcoming
- ▶ 4 polling questions must be answered to obtain CPE
- ▶ If you have questions, feel free to ask in Q&A option in Zoom
- ▶ CPE certificate will be emailed to you (within 2 weeks)
- ▶ On demand video is not eligible for CPE
- ▶ You will receive a follow up email including:
 - ▶ Access to this webinar recording and deck
 - ▶ Webinar evaluation form
 - ▶ The ability to join our Webinars Mailing list to receive future invites
 - ▶ Presenter contact info

Polling Question # 1

What is your estimate of how long your current cash on hand can last?

- A. Less than 2 weeks
- B. 2 weeks to 1 month
- C. 1 to 3 months
- D. Greater than 3 months



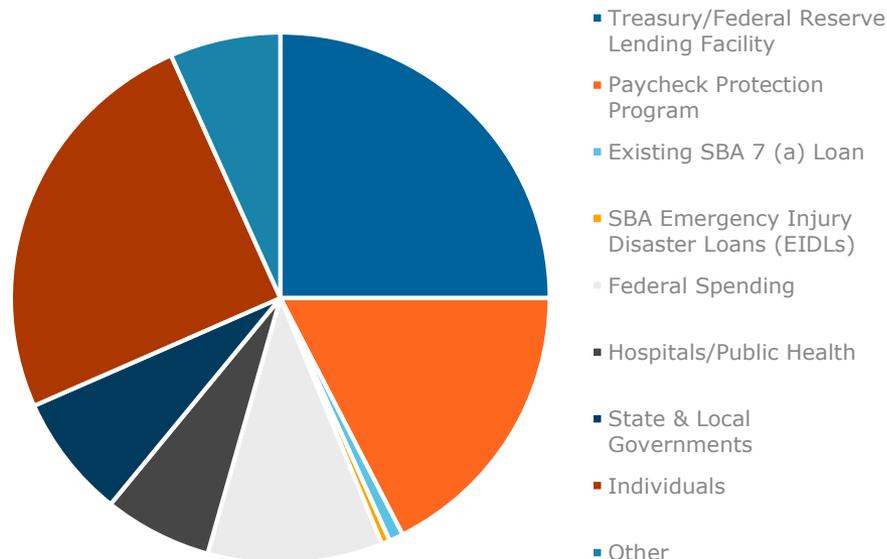
THE CARES ACT INTRODUCES NEW SOURCES OF CASH/LIQUIDITY FOR BUSINESSES

- ▶ With COVID-19, businesses should be hyper-focused on employee safety, preserving cash and accessing new sources of capital and liquidity, including through governmental programs.
- ▶ A \$2 trillion federal stimulus package – known as the CARES Act – was recently enacted.
- ▶ Treasury is publishing guidelines for the various programs this week.
- ▶ Funding for some of these programs will not be immediate, and businesses must consider how they will bridge through this period.
- ▶ In addition to programs listed to the right:
 - ▶ The Act enhances near-term liquidity of businesses by liberalizing NOL carryback, interest expense deduction and other tax items, thereby creating opportunities for refunds or reduced upcoming tax payments.
 - ▶ The Act creates deferrals and credits against the employer share of payroll taxes.

Programs in the CARES Act include:

- ▶ SBA Paycheck Protection Program (\$349B)
- ▶ SBA Economic Injury Disaster Loan Program (\$10B)
- ▶ SBA payment deferrals on existing loans (\$17B)
- ▶ \$500B for Fed Corporate, State and Municipal credit facilities, including specified affected industries

\$2 Trillion Stimulus Package



PAYCHECK PROTECTION PROGRAM

Description

- ▶ CARES authorizes \$349 billion for SBA-guaranteed loans to eligible small businesses impacted by COVID-19 to cover payroll, benefits, mortgage, rent, utilities and other debt through 6/30/20, using an expanded version of the existing SBA 7 (a) loan program.
- ▶ Loans are unsecured, effectively junior to existing secured debt, with no personal guarantees required from owners or affiliates.
- ▶ Interest rate is capped at 4%, with processing fees of 1% - 5% of loan amount.
- ▶ Normal Section 7(a) requirement that the SBA-guaranteed loan be the only source of available credit does not apply.
- ▶ Loans for up to lesser of \$10 million or 2.5x average monthly payroll costs (trailing 12 months).
 - ▶ “Payroll costs” are broadly defined.
- ▶ Loan payments to be deferred for six months to one year.
- ▶ **Loans will be forgiven** to the extent used to pay payroll (limitations in the case of employees being paid more than \$100,000 annually), rent, interest on mortgage debt and utilities during the 8-week period after origination of the loan.
 - ▶ Loan forgiveness reduced to the extent employees are laid off or employee compensation cut more than 25% percent versus prior year; loan forgiveness is not considered taxable income.
 - ▶ Borrowers will have to submit a loan forgiveness application to lender at later date.

PAYCHECK PROTECTION PROGRAM

Process

- ▶ **Applications for PPP loans are made directly to approved commercial banks (not to the SBA).** This is generally advantageous for speed of execution, but under these circumstances, there could be hiccups and delays because:
 - ▶ There is no standard, uniform application or procedure for applying for a Section 7(a) loan. It is up to each of the participating (approved) commercial bank lenders to establish their own application and procedure.
 - ▶ Some banks may wait until SBA issues its interpretive guidance on PPP (expected on or about April 11, 2020) before finalizing their own revisions to its existing 7(a) application and procedures for PPP loans.
- ▶ Senior Lender considerations:
 - ▶ One would generally expect that existing senior lenders would welcome and want to facilitate their borrowers availing themselves of a PPP loan.
 - ▶ However, existing loan agreements may need to be amended to allow the borrower to take on this debt (given, for example, permitted indebtedness covenants) and lenders may consider requiring their borrowers to covenant to use the PPP loan proceeds in such a way as to qualify for loan forgiveness.
 - ▶ To the extent a PPP loan is not going to be forgiven, an existing senior lender will likely want to understand and become comfortable with what the payment and other terms will be for the continuing PPP loan.

PAYCHECK PROTECTION PROGRAM

Eligibility

- ▶ In general, eligible small businesses and non-profits are those with **fewer than 500 employees**.
 - ▶ However, for hospitality and food service industries (NAICS Code 72), the employee count is measured per physical location, not firm-wide.
 - ▶ Employee count includes both full-time, part-time, domestic, and non-US employees.
 - ▶ If an entity has more than 500 employees, a business can still qualify based on:
 - ▶ Existing 7(a) size eligibility rules, which are based on either:
 - 1) Number of employees (varies by industry, capped at 1,500)
 - 2) Annual receipts (varies by industry, capped at \$41.5MM)
 - ▶ Meeting an alternative size standard based on tangible net worth and net income
 - ▶ Subject to affiliation rules discussed on the next slide. For detailed definition on qualifying business go to: <http://www.sba.gov/document/support--table-size-standards>.
- ▶ Business must have been in operation with payroll as of February 15, 2020.
- ▶ Borrower must certify that the loan is necessary to support operations due to current uncertain economic conditions and that the funds will be used to cover payroll, benefits, mortgage and debt interest, rent, and utilities.
- ▶ Borrower must not have a pending loan application which is duplicative of the purpose and amounts.
- ▶ CARES waives requirement that lenders examine borrower repayment ability.

PAYCHECK PROTECTION PROGRAM

Eligibility (continued)

- ▶ Under the CARES Act, SBA program “affiliation” rules appear to remain generally in effect.
 - ▶ Rules require companies under common control to be aggregated for purposes of determining whether a company meets the definition of a small business. A private equity fund or other investor that owns 50% or more of the voting equity of a company is deemed to control that company.
 - ▶ For example, if a PE fund controls two portfolio companies, each with 300 employees, neither of those portfolio companies would qualify, assuming that (i) the companies are not in the hospitality or food service industries (the affiliation rules were suspended for those industries as noted below) and (ii) when their receipts, employees and net worth and net income are aggregated, those companies as an aggregated whole don’t meet the eligibility size tests. **As a result of the affiliation (aggregation) rules, the portfolio companies of many PE funds investing in the middle- or lower middle-market may not be eligible for this expanded loan program.**
- ▶ The affiliation rules were explicitly eliminated for PPP loans to (i) companies in the hospitality and food service industries, (ii) SBA-approved franchises and (iii) companies receiving assistance from SBIC funds.
- ▶ Some commentators believe that the legislation is somewhat ambiguous as to whether the affiliation rules may generally be suspended for PPP loans. It is possible the SBA will issue formal or informal guidance on this point. **Private equity and VC funds investing in smaller businesses will want to pay close attention as that kind of interpretation would greatly expand the ability of their portfolio companies to participate in this attractive program.**

PAYCHECK PROTECTION PROGRAM

Next Steps

1. Compile necessary documentation required by lender (e.g. payroll tax support, health insurance and retirement benefit payments, company financials).
2. Speak to your bank (assuming it is an approved SBA lender) and complete an application.
 - ▶ Loans are issued by participating commercial banks, with SBA guaranteeing 100% of loan amount.
 - ▶ SBA is targeting 4/11/20 as a deadline to issue guidance.
 - ▶ Applications can be made through 6/30/20, but given the fixed funding amount and the expected volume of applications, businesses are recommended **to apply as soon as possible.**

SBA ECONOMIC INJURY DISASTER LOANS (EIDLs)

Description

- ▶ EIDLs are low-interest, long-term disaster assistance loans from the SBA for businesses and non-profits located in Eligible Disaster Areas (all states and territories are eligible due to COVID-19).
- ▶ CARES authorizes \$10 billion of emergency grants (for advances of up to \$10,000 each) pending the approval of EIDLs.
 - ▶ Advance can be requested within 3 days of application receipt.
- ▶ EIDLs are intended to fund working capital needs or normal business operating expenses through the recovery period.
- ▶ Maximum dollar amount is \$2 million.
- ▶ Loans above \$25 thousand must be secured to the extent possible.
- ▶ Funds are to be used for working capital (debt, payroll, AP, etc.).

Eligibility

- ▶ Small businesses (same definition and affiliate rules as PPP) which has suffered working capital losses due to COVID-19.
- ▶ Applicants must be able to repay the EIDL.

Next Steps

1. Compile documentation sufficient to prove acceptable credit history.
2. Apply directly with the SBA <https://covid19relief.sba.gov/>.

Michigan EIDL Example

- ▶ Loan Amount: \$2 million (SBA capable of waiving \$2 million limit if business is major source of employment)
- ▶ Fixed Interest Rate: 3.75%
- ▶ Term: 30 years
- ▶ Application Deadline: 12/21/20

FED CORPORATE, STATE AND MUNICIPAL CREDIT FACILITIES

Description

- ▶ Act allocates \$500 billion for Corporate, State and Municipal credit facilities, including specified affected industries, that the Treasury and Federal Reserve may use for loans, guarantees and other investments in programs or facilities.
 - ▶ \$46 billion specifically allocated for airlines, air cargo, and national security.
 - ▶ Balance of \$454 billion to Federal Reserve-established programs to provide liquidity to the financial system to support lending facilities for eligible businesses, states and municipalities.
 - ▶ “Eligible business” includes a U.S. business (as defined in the Act) that has not otherwise received adequate relief in the form of loans or loan guarantees under the CARES Act.
- ▶ Under the Act, Treasury is directed to endeavor to develop a Fed program (Mid-Size Business Support) to support direct loans to eligible businesses and non-profits with 500-10,000 employees.
 - ▶ No definition yet as to what this actually means and how these businesses might apply for loans under this program.
 - ▶ Interest rates for Mid-Size Businesses are capped at 2% and lenient repayment terms are expected
 - ▶ Loans will not be eligible for forgiveness.

FED CORPORATE, STATE AND MUNICIPAL CREDIT FACILITIES

Description (continued)

- ▶ Fed's normal loan collateral and borrower solvency rules would apply, which, unless relaxed by the Fed, would likely mean that most PE-owned companies would not qualify for the program as their debt is often not investment grade.
 - ▶ Goldman Sachs believes the Fed might ultimately be willing to relax the loan collateral rules and thereby allow loans to sub-investment grade borrowers.
- ▶ Because loans and guarantees under these programs and facilities are generally required to be structured as senior indebtedness, eligible businesses will need to analyze whether their existing credit facilities will allow their participation in these programs/facilities. In some cases, Treasury may accept warrants or other equity interests in lieu of senior indebtedness.

Conditions

- ▶ Federal loan support will also come with certain **strings attached**, including some or all of the following:
 - ▶ Funds will be used to retain at least 90% of the borrower's workforce, the borrower is not a debtor in a bankruptcy proceeding, the borrower is US-domiciled and a majority of its employees are in US, the borrower will not outsource/offshore jobs for a defined period, and the borrower will maintain any collective bargaining agreement and will remain neutral in any organization effort for a defined period.
 - ▶ Borrower must also agree to not to pay dividends or buy back stock until 1 year after loan repayment (unless required pursuant to a preexisting contractual obligation), and to abide by certain limitations on executive compensation.

FED CORPORATE, STATE AND MUNICIPAL CREDIT FACILITIES

Next Steps

1. Process is expected to be defined within 10 days - continue to monitor updated guidance from Treasury and the Federal Reserve.
 - ▶ Treasury issued the guidelines for Air Carrier Payroll Support Aid on March 30, 2020. Applications are due April 3, 2020.
 - ▶ Guidelines for the remaining programs are expected to be issued this week.
2. Watch for further Riveron and Conway MacKenzie guidance on this program.

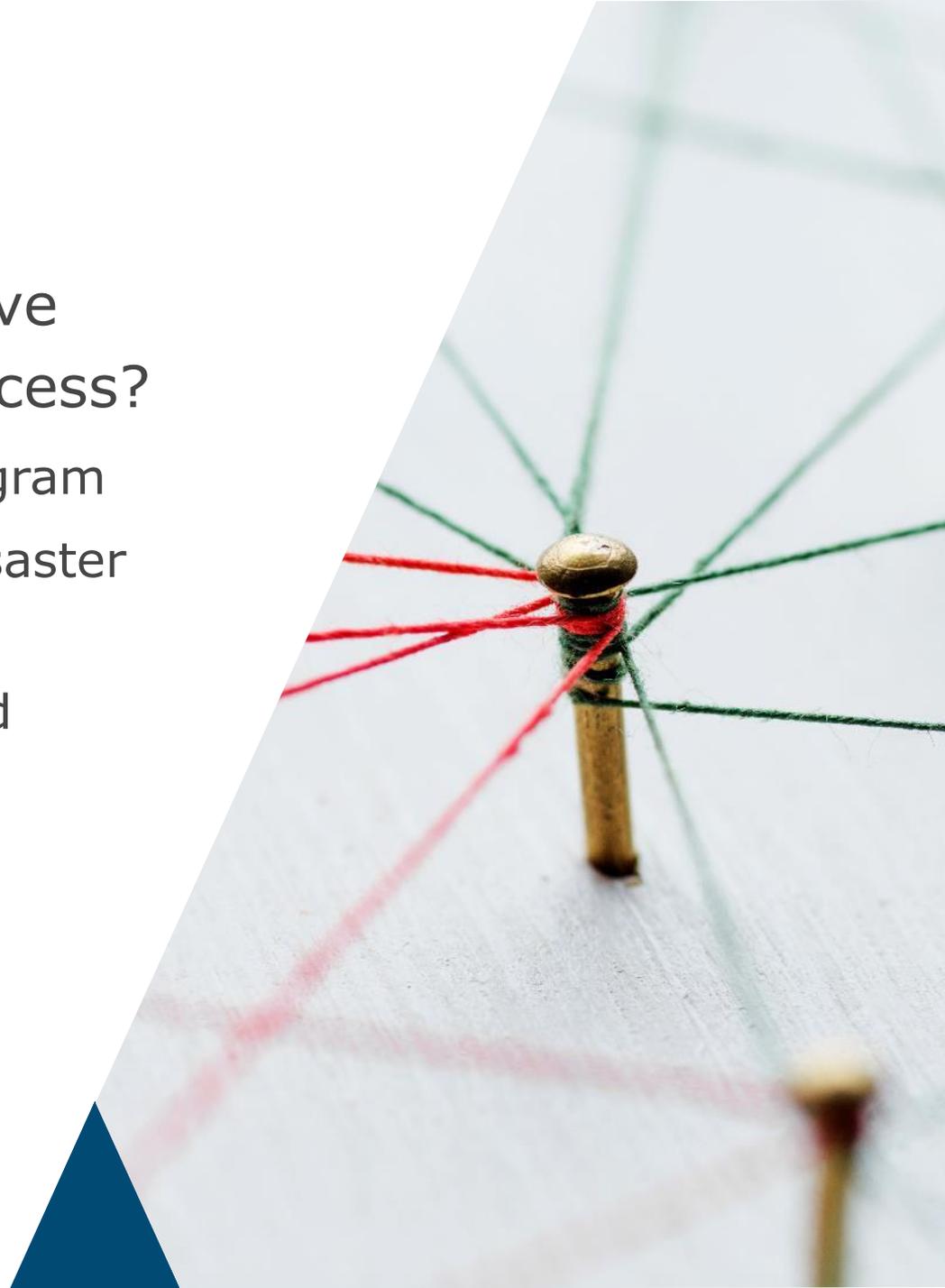
ADDITIONAL GOVERNMENT FUNDING

- ▶ As part of the \$500 billion Corporate, State and Municipal credit facilities pool, CARES specifically allocates funding to the following:
 - ▶ Airlines (\$25 billion)
 - ▶ Air Cargo (\$4 billion)
 - ▶ National Security (\$17 billion)
- ▶ In addition to businesses, the CARES Act also contains funding for:
 - ▶ Individuals (approximately \$500 billion)
 - ▶ Federal Spending (\$340 billion)
 - ▶ \$130 billion of the \$340 billion is allocated for Public Health/Hospitals
 - ▶ State & Local Governments (\$150 billion)
- ▶ While not discussed here, additional funding sources exist.
 - ▶ Individual states have also launched bridge loan programs.
 - ▶ Other countries are also launching aid programs.

Polling Question #2

Which of these legislative programs might you access?

- A. Paycheck Protection Program
- B. SBA Economic Injury Disaster Loans (EIDLs)
- C. Fed Corporate, State and Municipal credit facilities



THERE ARE SIX KEY PRIORITY AREAS FOR EXECUTIVES AND MOST ALREADY NEED TO BE ADDRESSED AT THIS POINT IN THE CRISIS

Priorities

- 1 Ensure **health** of staff & identify **vulnerabilities**

- 2 **Ramp down** or **shut down** operations

- 3 Deploy **short term liquidity measures**

- 4 Secure **funding** and **government aid**

- 5 Prepare **efficient re-start** after crisis

- 6 **Emerge stronger** by improving performance and capitalizing on strategic opportunities

Timeframe	Our service offerings
✓	1 <i>360° Check-Up</i>
✓	2 <i>Effective Hibernation</i>
Now ← <i>Depending on financial position</i>	3 <i>Cash Office</i>
Now ← <i>Depending on financial position</i>	4 <i>Government Support</i>
April/May ← <i>Depending on scenario</i>	5 <i>Effective Ramp-Up</i>
May+ ← <i>Depending on scenario</i>	6 <i>Momentum Boost</i>

✓ Action already taken by most companies

A DEDICATED RAMP DOWN TASK FORCE CAN ENSURE THE SMOOTH RAMP-DOWN OF OPERATIONS AND EFFICIENT PROCESS HANDLING DURING HIBERNATION

Effective Ramp Down

Critical questions to ask

- How much of the operations (production, warehouses etc.) should we **ramp-down**?
- How much of the **engineering** and **administrative** operations (Finance, IT etc.) should we **ramp-down**?
- How will we handle our **suppliers**?
- How will we handle our **customers**?
- How will we handle our **operations during the hibernation**?
- How **long** will we hibernate and what will be the **trigger points** to Ramp-up operations?

Ramp Down Task Force

- Assessing **optimal ramp-down level** of operations
- Assessing **optimal ramp-down level** of **engineering** and **administrative** operations
- Managing ramp-down** ("totally restricted expenses rule", board approval required)
- Capacity** planning for emergency operation
- Checking the **stock range** of inbound parts
- Verifying **delivery** commitment to customers
- Checking on **machines** which can not stay in hibernation for **mechanical reasons**
- Setting up emergency plan **facility management** (plant safety etc.)
- Handling **short-time working** allowances (indirect and direct)
- Closely **collaborate and communicate** with emergency task force
- Signal tracking** for Ramp-up timeframe

Objective of Effective Hibernation

- ✓ **Smooth** ramp-down of plants
- ✓ Efficient **handling of resources** during hibernation (headcount, operating resources, purchasing materials etc.)
- ✓ Ensuring a **short-term start-up** after shutdown (alarm clock) –

WE SUPPORT ESTABLISHING AND OPERATING A CASH OFFICE TO PROVIDE CENTRAL MONITORING AND MANAGEMENT OF COMPANY-WIDE LIQUIDITY

Cash Office

Deposits

- > **Planned deposits** from customers after **risk assessment** by e.g. key account or project manager
- > **Planned cash inflows** from subsidiaries / national companies after consideration of trapped cash and minimum operating cash balances
- > **Special contributions**, for example through financing measures



Role of the Cash Office

Cash Office checks and controls daily:

- > Can planned **deposits** be achieved?
- > Does a planned **disbursement** have to be carried out urgently? Can it be cancelled/ postponed? What is the **exact daily cash requirement** in this and the **next weeks**?
- > Establishing a group-wide **governance structure**: Who decides on payments? Which investments are prioritized? Who releases them?

> Which **Ad-hoc measures** achieve which effects and at what point in time?

» Ensuring **solvency**

» Conducting **scenario analysis**

» Creating a **payment proposal list** for the top management

Payments

- > **Planned payments** to suppliers after utilization of maximum payment terms
- > Necessary **wage and salary payments, employer contributions**, taxes and insurance
- > Vital investments to maintain **business operations**

THE CASH OFFICE EVALUATES HOW AND WHEN TO IMPLEMENT ADDITIONAL AD-HOC MEASURES TO MANAGE SHORT-TERM NEEDS

Ad-hoc measures checklist (example)



Personnel

- Mandate reduction of overtime accounts to 0
- Stop all ongoing salary/wage increases
- Reduce external workforce
- Halt prolongation of temporary working contracts
- Freeze hiring
- Initiate furloughs & temporary salary reductions
- Cut management bonuses
- Prepare for large-scale dismissals
- Agree on later salary payments to your workforce
- ...

Working capital

- Clear overstock
- Reduce inventory buffers
- Stop any orders that are pending approval
- Forego early payment discounts
- Negotiate extension of payment dates/ terms
- Demand outstanding invoices strictly
- Reduce minimum cash balances
- ...

Other levers

- Negotiate partial payment of ordered project work
- Withdraw cash from subsidiaries (incl. in other countries)
- Freeze any non-legally binding investments
- Utilize any available tax deferral options
- Consult experienced legal counsel and financial advisors
- Manage ongoing communication plan with stakeholders
- ...

Other operating expenses

- Stop all non-vital contracted work
- Cut down other expenses (travel, catering etc.)
- Cancel all external events/trainings
- Renegotiate short term conditions with vendors (prices)
- Terminate all non-essential internal projects
- Negotiate payment relief of expenses (rent, loans)
- ...

WE CAN HELP PREPARE AND IMPLEMENT AN EFFECTIVE RAMP-UP OF YOUR INDUSTRIAL AND ADMINISTRATIVE OPERATIONS

Effective Ramp-Up

Critical questions to ask

- Which **operations** (production, warehouses etc.) need to be recovered?
- Which actions should be taken to **stop hibernation of industrial and administrative equipment**?
- Which **capacities are needed to cover market and customer demands**?
- Which **ramp-up curve** is realistic?
- How will we measure **supplier readiness for incoming goods and components**?
- How will we handle our **customers**? Which customers need to be prioritized?

Actions of Recovery Task Force

- Assessing **optimal ramp-up** level of industrial and administrative operations
- Verifying **delivery commitment** to customers and **realistic volume scenarios**
- Capacity planning and production program planning** for selected ramp-up scenarios
- Managing **efficient ramp-up of capacities** in Production and Administration
- Rebooting the primary value chain** from Engineering to Procurement, Production and Supply Chain
- Checking the **stock range** and verifying **supplier readiness and delivery status for incoming goods and parts**
- Hibernation **reboot of technical equipment**

Objective of Effective Recovery

- ✓ **Acceleration** of ramp-up
- ✓ Prioritization of **order management** and **volume planning**
- ✓ Efficient and effective **handling of resources** (headcount, operating resources, inbound materials etc.)
- ✓ Ensuring a **maximum productivity** after shutdown

"On-time delivery according to customer demands!"



EMERGE STRONGER FROM THE CRISIS WITH A MOMENTUM BOOST TO ORGANIZATIONAL PERFORMANCE AND STRATEGIC INITIATIVES

Momentum Boost

Leap-frog performance increase

- > **Operations efficiency** program
 - Spend compression
 - Engineering efficiency
 - Procurement cost reduction
 - Plant performance boost (incl. footprint)
 - Supply Chain cost reduction
- > **Accelerate transformation**
 - Shift to digital way of working
 - Shift to digital sales channels
- > Negotiate **favorable long-term terms** in exchange for secured volumes
- > Catch up with **project backlogs**
- > Catch up on **plant and machinery modifications** and repairs
- > **Refinance** with **lower interest rates**
- > Leverage **consolidation/"shake-outs"** in **dealer** and **partner networks**



Capitalize on strategic opportunities

- > Increased **M&A environment**
 - **Offense:** Pursue strategic acquisitions to drive consolidation or pick up assets in high-growth areas
 - **Defense:** Avoid hostile takeovers, manage key stakeholders and find strategic investors
 - **Both:** Forge partnerships or alliances to support offensive/defensive objectives
- > **Growth and innovation areas** (e.g.: electrification and digitalization)
 - **Stabilized companies:** Refocus the corporate strategy, rethink these investments, and salvage value through partnerships or sale
 - **Healthy companies:** Leverage position to pick up talent and signal willingness to invest

POTENTIAL OPPORTUNITIES FOR CASH TAX REFUNDS

Corporate Net Operating Losses (NOLs)

- ▶ Prior to the TCJA, NOLs carried back 2 years and forward 20 years prior to expiration
- ▶ Following the TCJA, NOLs arising in 2018 and later carried forward indefinitely (no carry back) and limited to 80 percent of taxable income
- ▶ The CARES Act permits NOLs arising in tax years 2018, 2019, or 2020 to be carried back 5 years (amended returns need to be filed)
 - ▶ Higher statutory rate (35 percent) prior to 2018
- ▶ The CARES Act also removes the 80 percent of taxable income limitation before 2021
- ▶ IRS expected to issue procedural guidance on how to request refunds for NOL carrybacks
 - ▶ Special considerations



POTENTIAL OPPORTUNITIES FOR CASH TAX REFUNDS

Corporate Net Operating Losses (NOLs)

NOL Year Generated	Carryback	Carryforward	Offset Percent of Taxable Income
On or before 12/31/2017	2 tax years	20 tax years	100 percent
After 12/31/2017 and before 1/1/2021	5 tax years	Indefinite	100 percent (prior to 2021) 80 percent (after 2020)
On or after 1/1/2021	None	Indefinite	80 percent

POTENTIAL OPPORTUNITIES FOR CASH TAX REFUNDS

Corporate Alternative Minimum Tax (AMT) Credits

- ▶ Prior to the TCJA, corporations were subject to the AMT
 - ▶ A corporation's tax liability was the greater of its regular tax liability or its AMT liability
 - ▶ Corporations received a credit for AMT paid (the prior-year minimum tax credit), which they could carry forward and claim against regular tax liability in future tax years, to the extent such regular tax liability exceeded AMT in a particular year
- ▶ The TCJA repealed the AMT on corporations but also continued to allow the prior year minimum tax credit to offset the taxpayer's regular tax liability for any tax year (at 50 percent)
- ▶ The CARES Act accelerates the allowance of refundable AMT tax credits to 2018 and 2019 (or all in 2018 with election) and provides for expedited refund procedures designed to permit corporations to obtain additional cash flow

POTENTIAL OPPORTUNITIES FOR CASH TAX REFUNDS

Changes to Computation of Taxable Income

- ▶ Interest expense deduction
 - ▶ The TCJA limited the ability to deduct interest expense beginning in 2018 to an amount that does not exceed the sum of business interest income and 30 percent of “adjusted taxable income” (ATI) (which is currently comparable to earnings before interest, taxes, depreciation, and amortization (EBITDA))
 - ▶ For 2019 and 2020, the CARES Act increases the interest deduction limitation from 30 percent to 50 percent of ATI
- ▶ Depreciation of qualified improvement property (QIP)
 - ▶ One of the key business provisions in the TCJA was the immediate deduction of certain depreciable property (bonus depreciation), but certain categories of property, specifically QIP, were excluded from bonus depreciation
 - ▶ The CARES Act makes QIP eligible for bonus depreciation
 - ▶ This correction is retroactive to tax years beginning on or after January 1, 2018
- ▶ Excess business loss
 - ▶ Following the TCJA, noncorporate taxpayers use of business losses limited to business income plus \$250K (\$500K for joint filers)
 - ▶ The CARES Act repeals the limitation for tax years 2018 through 2020

Polling Question #3

Which cash tax refund opportunity would be most beneficial to your company?

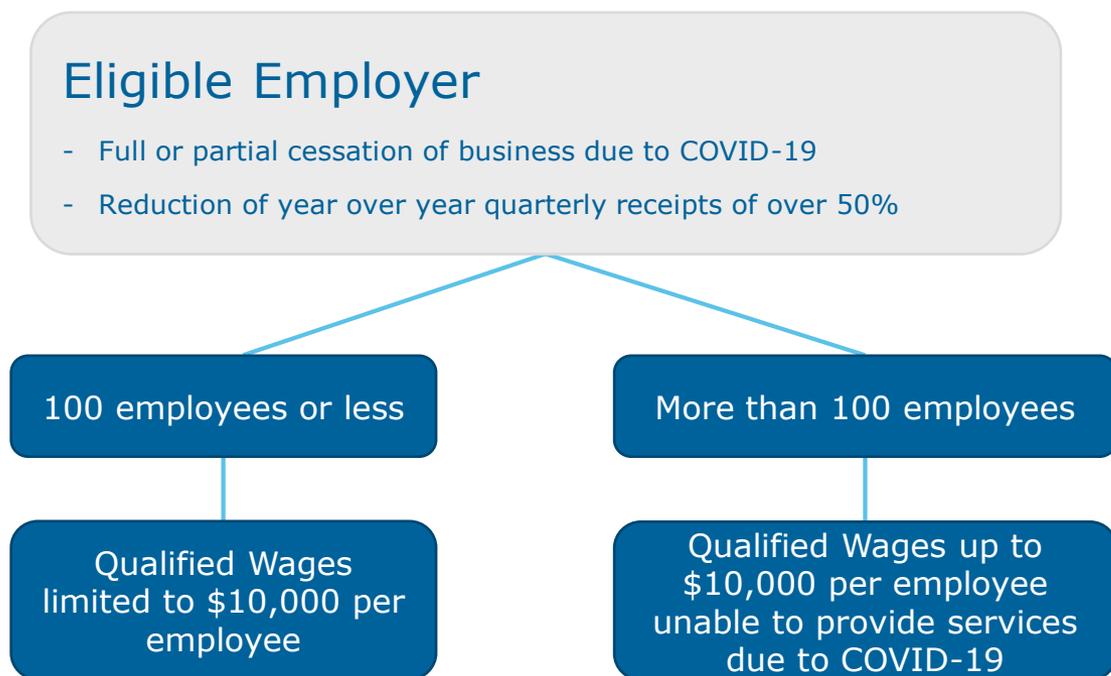
- A. NOL carryback
- B. AMT credit
- C. Increased interest deduction under Section 163(j)
- D. Bonus depreciation on QIP
- E. Other/None of the above



POTENTIAL OPPORTUNITIES FOR CASH TAX REFUNDS

Employee Retention Credit

- ▶ Refundable credit against employment taxes
- ▶ Credit is equal to 50% of wages, including health benefits, paid to employees from 3/13/20 through 12/31/20



POTENTIAL OPPORTUNITIES FOR CASH TAX REFUNDS

Advance Refunding of Paid Sick Leave and Extended FMLA Credits

- ▶ The Emergency Paid Sick Leave Act (Part 2 of COVID-19 legislation) required employers to pay sick leave to those missing work due to (i) employees suffering the symptoms of COVID-19 or (ii) employees providing care for a child or a quarantined individual
- ▶ Applies only to employers with fewer than 500 employees
- ▶ Effective from April 1, 2020 through December 31, 2020
- ▶ The CARES Act amends the original act by limiting the amount required to be paid by the employer to (i) \$511 per day or \$5,110 in aggregate for those suffering the symptoms of COVID-19 and (ii) \$200 per day or \$2,000 in aggregate for those caring for a child or quarantined individual
- ▶ The CARES Act permits employers to claim an advance refunding of payroll tax credit (up to certain dollar limits) for the amounts paid to employees under the Emergency Paid Sick Leave Act

Forms and filing instructions to be provided by the IRS

IRS is to waive penalties for failure to deposit payroll taxes if due to anticipated payroll tax credit

POTENTIAL TO REDUCE/DELAY CASH TAX PAYMENTS

Delay in Federal Tax Payments

- ▶ IRS Notice 2020-18 postpones federal income tax payment due dates from April 15, 2020, to July 15, 2020
- ▶ The Notice also postpones the filing date of specific federal income tax returns
- ▶ An extension form is not required to be filed (Form 4868 or 7004)
- ▶ The extension of time to make payments applies without dollar limits
- ▶ Applies to “persons” – individuals, trusts, estates, C corporations, S corporations and partnerships
- ▶ Taxpayer does not need to be personally impacted by COVID-19 to qualify for this relief
- ▶ The IRS will disregard this time period when calculating any late payment penalties and interest.



POTENTIAL TO REDUCE/DELAY CASH TAX PAYMENTS

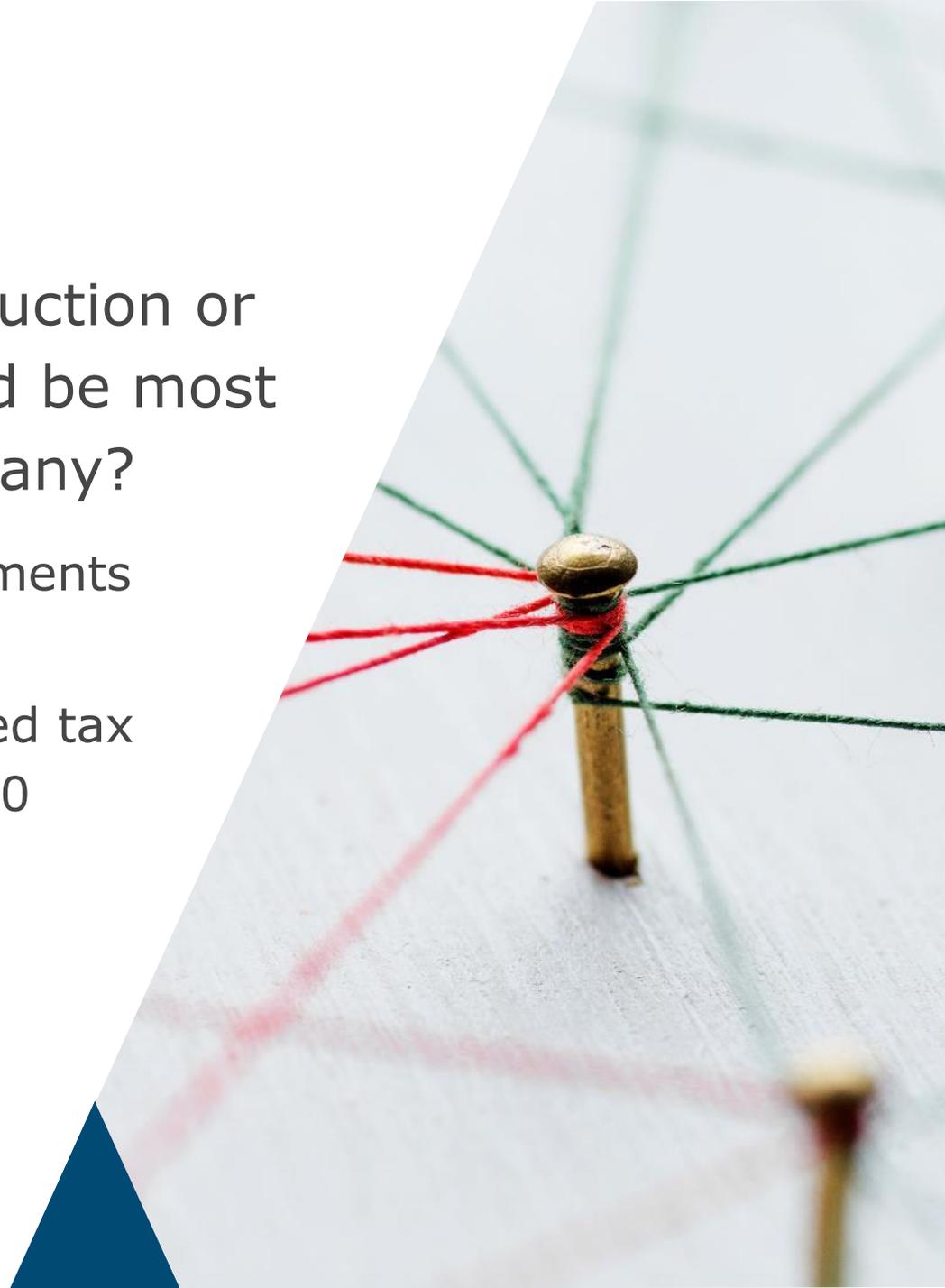
Payroll Tax Deferral

- ▶ The CARES Act allows employers to defer payment of their share of social security tax (6.2 percent) due on wages paid in 2020
- ▶ Deferral applies to payments made after the date of enactment (March 27, 2020)
- ▶ 50 percent of the deferred payroll taxes are due on December 31, 2021
- ▶ The remaining 50 percent of the deferred payroll taxes are due on December 31, 2022

Polling Question #4

Which tax payment reduction or delay opportunity would be most beneficial to your company?

- A. Delay of federal tax payments related to 2019
- B. Delay of federal estimated tax payments related to 2020
- C. Payroll tax deferral
- D. None of the above



The slide features a white background with a large blue geometric shape on the left side. This shape consists of a dark blue rectangle on the left, which tapers into a lighter blue area on the right. The lighter blue area has a low-poly, faceted appearance. A thin orange line extends from the bottom edge of the dark blue rectangle towards the bottom right of the slide. The text 'Q&A' is centered in the white space on the right side of the slide.

Q&A

ADDITIONAL RESOURCES

Related Thought Leadership

View the latest COVID-19 insights [HERE](#)

Additional Resources

[PREPARING FOR THE NOW, THE NEXT AND THE NEW NORMAL](#)

[The NOW: A Guide to Dealing With Disruption](#)

Contact Us

[REQUEST TO SPEAK WITH A TEAM MEMBER](#)