

Important information on the \$2 trillion stimulus

Last Updated: April 30th, 2020

On March 27, 2020, President Trump signed a \$2 trillion stimulus package called the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). It is the largest single injection of federal funding into the economy in history and includes a number of provisions to help both individuals and small businesses.

This is a massive piece of legislation, and there is still much about the implementation that remains undefined. Nevertheless, as your financial partner, we want to summarize the ways this legislation may benefit you.

Whether you're currently employed, under-employed, have been laid off or own a small business, you may be eligible for benefits under the CARES Act. We'll continue to provide updates as the federal government releases additional information.

Benefits for Individuals

One-time Rebates

All U.S. residents with adjusted gross income (AGI) up to \$75,000 (\$150,000 for joint filers) will receive a one-time "rebate" payment of \$1,200 (\$2,400 for joint filers). They are also eligible to receive an additional \$500 per child, age 16 or under. Those earning more than \$75,000 per year (\$150,000 for joint filers and \$112,500 for head of household filers) are not eligible for the \$500 per child and will receive reduced rebate payments. The rebates are completely phased out for individuals earning more than \$99,000 (\$198,000 joint and \$136,500 head of household).

The Treasury Department states they expect most people to receive payment by April 17 if they typically use direct deposit for their tax refunds. Treasury has not yet indicated when paper checks will be delivered for people who do not use direct deposit.

Increased Unemployment Benefits

Beginning March 27 and continuing until July 31, 2020, individuals receiving unemployment benefits are eligible for an extra \$600 per week in addition to existing state unemployment benefits. The Act also extends state unemployment benefits for an additional 13-weeks.

Mortgage Payment Deferrals

As we shared last week, homeowners may receive up to a 180-day payment grace period on federally guaranteed mortgage loans and are protected from foreclosures for 60-days. Please note that Kinecta is offering payment deferrals on all loans not just mortgages.

Restrictions on Credit Reporting

Deferred payments will not impact your credit score. Financial institutions must report loans as “current” for 120 days after the emergency declaration is lifted if a borrower has received a payment deferral or loan modification. Borrowers must still fulfill any other requirements included in the modification agreement such as maintaining insurance, paying taxes, etc.

Benefits for Self-Employed & Independent Contractors

Tax Deferrals

Self-employed individuals may defer the 6.2% Social Security tax on wages if they can show at least a 50% decrease in net earnings compared to the same quarter last year. The tax must be paid in two years: half by Dec. 31, 2021, and the other half by Dec. 31, 2022.

Changes to Unemployment Benefits

Self-employed people, including gig workers, freelancers and independent contractors, may be eligible for state unemployment benefits as well as the additional \$600 weekly benefit provided by the federal government. Benefit amounts are calculated based on prior earnings.

Payroll Protection Program (SBA Administered)

Sole proprietors and independent contractors are eligible to participate in the Payroll Protection Program as outlined below.

Benefits for Businesses

Tax Deferrals

Employers may defer the 6.2% Social Security tax on wages if they can show at least a 50% decrease in net profits from the same quarter last year. The deferred tax must be paid over the following two years: half by Dec. 31, 2021, and the other half by Dec. 31, 2022.

Paycheck Protection Program (SBA Administered)

To encourage businesses to avoid layoffs, companies in business prior to February 15, 2020, and with fewer than 500 employees, may apply for **forgivable loans** to cover up to 8-weeks of wages, benefits, rent, utilities and certain other expenses. These loans are limited to 2 times average monthly payroll over the prior 12-months plus 25% and are capped at \$10 million. Loan terms are for two years and the interest rate is set by the SBA at 0.50%. The first payment is deferred for six months.

Loans are forgivable to borrowers that keep employees on payroll for at least six months from the date of the loan. Loan proceeds must be used to cover wages, benefits, mortgage interest, rent or utilities with no more than 25% used for non-payroll related costs. If during this six-month period the borrower reduces wages by more than 25% or decreases full-time headcount, the forgivable portion of the loan will be reduced pro-rata for the reduction in payroll. **Nonprofits can also apply** under the same terms and conditions.

Kinecta is an active SBA Lender and will be making these loans for new and existing members. We encourage you to apply quickly as demand will be high and funds available under this program are capped at \$349 billion.

Tax Credits for Retaining Employees

In addition to the benefits outlined above, businesses that keep idled workers on their payrolls are eligible for a tax credit, so long as the businesses meet certain criteria. This will be paid as a tax refund equal to one-half of the amount spent on wages, up to \$5,000 per worker.

I know this is a lot to absorb, but we believe the CARES Act will provide meaningful support to many of our members and to our communities during these difficult times. We want to ensure you are well-informed and have access to the benefits available to you. We appreciate the trust you've placed in Kinecta to see you through this crisis. Please do not hesitate to reach out to your Credit Union for help navigating this legislation and for any additional assistance you may need.

Keith Sultemeier
President & CEO
Kinecta Federal Credit Union

Please consult your legal or tax advisor for more details on how you may benefit from the CARES Act.