This document serves as a general summary of the Coronavirus Aid, Relief and Economic Security (CARES) Act, signed into law by President Trump on Friday, March 27, 2020. There are many detailed elements of the bill and this document is not intended to be an in-depth review of those specifics. The purpose is to give Ziegler clients and industry partners a general overview of the bill along with resources to access additional details specific to their respective organizations.

The CARES Act is intended to provide immediate financial relief to U.S. companies and not-for-profit organizations in the form of loans, grants, tax-relief and additional benefits. It should be noted that the CARES Act is the third stimulus bill to come through the federal government in response to the COVID-19 outbreak. While it is not certain, many speculate that a fourth bill may be forthcoming as well.

### Relief for Small Businesses

I. The “Paycheck Protection Program (PPP)” is specifically designed for small businesses, which are defined as entities with fewer than 500 employees. This includes sole proprietorships, independent contractors, not-for-profit organizations, limited liability companies, partnerships, self-employed individuals and corporations.1 The PPP provides cash-flow assistance through federally guaranteed loans to employers who maintain their payroll during this emergency. Loan forgiveness is available for those who maintain their payroll during the COVID-19 emergency. For any amounts not forgiven, the maximum term is 10 years and maximum interest rate is 4%.

The following information provides details on how loan amounts are calculated. For those entities who were in business prior to February 15, 2019, the maximum loan is equal to 250% of the average monthly payroll costs (excluding compensation of employees earning greater than $100,000) between February 15, 2019 and June 30, 2019. For those not in business between February 15, 2019 and June 30, 2019, your maximum loan is equal to 250% of your average monthly payroll costs between January 1, 2020 and February 29, 2020.2 The loan will be administered by and through lenders and the total amount of the loan cannot exceed $10,000,000. For further information on the application process, visit the Small Business Administration Website for the Paycheck Protection Program.

The borrowed money can be used for a variety of qualified costs including (i) payroll cost, (ii) continuation of health care benefits, (iii) employee compensation (of those making less than $100k), (iv) mortgage interest, (v) rent, (vi) utilities and (vii) interest on debt incurred before covered period. This does not include expenses related to qualified sick and family leave for which credit is allowed under the Families First Coronavirus Response Act, which was a COVID-19 stimulus bill signed by President Trump on March 18, 2020.
II. Aside from the PPP loans, employers can access funds through the **Economic Injury Disaster Loans and Emergency Economic Injury Grants**. These grants provide an emergency advance of up to $10,000 to small businesses and private not-for-profits harmed by COVID-19 within three days or applying for an SBA Economic Injury Disaster Loan. More information on these grants can be found by clicking [here](#).

**Timing:** Small businesses and other eligible entities are able to apply if they were harmed by COVID-19 between February 15, 2020 and June 30, 2020. Loans are available through June 30, 2020. Organizations are encouraged to work with their lender as soon as possible as it is anticipate that funds requested will exceed the amount initially set forth by the federal government.

**Frequently Asked Questions:**

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<tr>
<th>Question</th>
<th>Answer</th>
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<td>If we have more than one location, but each individual location has fewer than 500 employees, do we still qualify?</td>
<td>This specific question is currently being explored by the legal experts. The bill specifically states that businesses with more than one physical location that are Food and Accommodations businesses, and employ no more than 500 staff per physical location, are still eligible. We are uncertain as to whether this will be expanded to other sectors.</td>
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<td>If we have already laid off or furloughed staff, can we still apply for PPP?</td>
<td>To encourage the rehiring of employees who were already laid off as a result of the COVID-19 crisis, this forgiveness reduction will apply only to companies that restore their workforce and wages by June 30, 2020.</td>
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<td>Can the PPP loans be used towards the purchase of personal protective equipment and other supplies needed in response to COVID-19?</td>
<td>Allowable uses are outlined on page 1, which does not include equipment and supplies. The Public Health and Social Services Emergency Fund was created for healthcare entities to assist with costs related to personal protective equipment, etc.</td>
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**Employers with >500 Employees**

The $500 billion **“Exchange Stabilization Fund”** will provide loans, loan guarantees, and other investments to eligible businesses including senior living. Of this amount, Congress allocated $25 billion to passenger air carriers, $4 billion to cargo air carriers, and $17 billion to national security businesses. The remaining $454 billion will be available to eligible businesses. This is for organizations who have more than 500 employees, but no more than 10,000 employees. This is being led by the Department of Treasury and will provide loans to businesses and not-for-profits so they have access to low-interest loans (no higher than 2%), with no payments due within the first six months. The borrower must maintain 90% of its workforce until September 30, 2020 among other requirements. More information on this Fund can be found by clicking [here](#).
Grants Specifically for Healthcare Entities

As part of the CARES Act, $100 billion was designated for grants to eligible health care providers, with $65 billion of the total to go to hospitals. This is called the Public Health and Social Services Emergency Fund. The funding, to be included in the Public Health and Social Services Emergency Fund that is administered by the Assistant Secretary for Preparedness and Response, is intended to reimburse providers for health care-related expenses or lost revenues that are attributable to coronavirus. The bill calls for the funds to be available "for building or construction of temporary structures, leasing of properties, medical supplies and equipment including personal protective equipment and testing supplies, increased workforce and trainings, emergency operation centers, retrofitting facilities, and surge capacity." The funds may not be used to "reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse." The bill directs HHS to administer the funding through grants or other mechanisms "in consideration of the most efficient payment systems practicable to provide emergency payment." Providers must submit applications to be reviewed on a rolling basis that include justification for the funding.

Other Benefits for Healthcare Entities

There are a number of other notable elements embedded within the CARES Act that are worth mentioning. The list below is not a full list, but those that are most relevant to Ziegler clients and partners.

- **Accelerated/Advanced Payment for Medicare Providers and Suppliers**: In order to increase cash flow to providers of services and suppliers impacted by the 2019 Novel Coronavirus (COVID-19) pandemic, the Centers for Medicare & Medicaid Services (CMS) has expanded our current Accelerated and Advance Payment Program to a broader group of Medicare Part A providers and Part B suppliers. The expansion of this program is only for the duration of the public health emergency. Details on the eligibility and the request process are outlined on the CMS website.

- **Telehealth**: The bill includes a number of provisions to expand telehealth services under Medicare during the COVID-19 crisis. The expanded coverage includes a number of temporary policy changes in place during the COVID-19 crisis. The Act also reauthorizes the Health and Resource Service Administration's Telehealth Resource Center grant programs at $29 million a year through 2025, boosts support for expanded broadband services, encourages the use of remote patient monitoring for home health services in Medicare, and funds new telehealth initiatives for the Indian Health Services and Department of Veterans Affairs.

Tax Relief

There are a number of business tax provisions as part of the CARES Act. These include employer tax credits for employee retention, deferral of employer payroll tax and self-employment taxes and a number of other items. Organizations are encouraged to consult with their accounting partners to fully understand the benefits available to them and situations where the tax relief benefits may exclude an organization from eligibility for another set of funds (e.g. PPP). In some instances, these changes will have an impact on 2019 tax returns and may provide amendment opportunities for both 2018 and 2019.
Resources:

In addition to the resources below, if you have specific questions about the CARES Act and would like to speak with a Ziegler representative, please contact the Ziegler banker in your region or submit an inquiry at www.ziegler.com.

- The Small Business Owner’s Guide to the CARES Act, U.S. Senate Committee on Small Business & Entrepreneurship.

Ziegler is committed to staying on top of the rollout of the CARES Act and implications on its clients and industry partners. As the lending channels open up and the legal interpretations evolve, additional communications will be shared.

1Selzer Gurvitch, Attorneys at Law, March 30, 2020 Summary of CARES Act
2U.S. Senate Committee on Small Business & Entrepreneurship, “Small Business Owner’s Guide to the CARES Act”
4Third Coronavirus Stimulus Package Includes Considerable Funding for Health Care Providers and Other Health Care Provisions, Baker Donelson.
5CARES Act Expands Telehealth Coverage for Medicare, FQHCs and the VA. MHealth Intelligence.
6Enactment of CARES Act, Economic Stimulus in Response to COVID-19 Provides Tax Relief to Businesses and Individuals, Plante Moran.

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