



SHEET METAL & AIR CONDITIONING
CONTRACTORS' NATIONAL ASSOCIATION

\$2T Emergency Relief Bill Briefing

March 27, 2020





Participants:

Vince Sandusky, SMACNA CEO

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Webcast Format

Throughout the presentations, attendees will have the opportunity to submit questions in writing.

After the initial presentations by all participants, questions will be posted one at a time for the participants to address.

Depending on time and volume of questions, we may not be able to get to all of them, but we will develop an FAQ to post after the event.

A recording of this call will also be made available after the call.



Stan Kolbe

Submit Questions via the webcast portal





Congress's Three-Phase Response to the COVID-19 Crisis

COVID-19 Emergency Relief Legislation

Phase 1 Initial support and vaccine development

H.R. 6074 — Coronavirus Preparedness and Response Supplemental Appropriations Act

- \$8.3 billion in COVID-19 response funding for developing a vaccine and preventing further spread of the virus
- Became law on 3/6/20

Phase 2 Paid leave, unemployment and food assistance

H.R. 6201 — Families First Coronavirus Response Act

- \$100 billion in worker assistance, including emergency paid sick leave, food assistance, and unemployment payments
- Became law on 3/18/20

Phase 3 Major economic stimulus package

H.R. 748 Stimulus package

- Major stimulus package (>\$2 trillion)
- Loans and support to major industries (esp. airlines) as well as small businesses
- Direct payments to individuals and families



Phase 3 (H.R. 748): Middle Class Health Benefits Tax Repeal Act

Total cost: \$2 trillion

• **Direct payments to individuals:**

- \$1,200 per adult, with an additional \$500 per child
- The full amount will go to individuals who earn >\$75,000/year or \$150,000 for married couples; the payments scale down for higher-earning individuals, phasing out completely at \$99,000 for individuals and \$198,000 for married couples without children

• **Hospital investments (\$150 billion)**

- \$100 billion for hospitals
- \$1 billion to Indian Health Service
- Remainder of money used to increase medical supplies

• **\$500 billion lending funds for industries, states, and localities**

- Loans for companies with more than 500 employees
- \$25 billion in loans to airlines; \$4 billion to cargo carriers
- Bans loans to businesses owned by the president, vice president, head of executive departments, or members of Congress

• **\$367 billion in loans for small businesses**

- Loans to small businesses would be forgiven if payrolls are maintained
- **Unemployment benefits increased \$600/week for four months**
- **New Treasury IG and Congressional Oversight Board**
- **State and Local Funds**
 - \$150 billion for state and local funds, including \$8 billion for tribal governments

**\$2.2 Trillion
CARES Act
Emergency
Relief Bill**



Emergency Paid Leave Requirements in H.R. 6201

	What employers does this apply to?	What is the required duration of leave?	What are qualifying reasons for taking leave?	What is the required wage replacement?*
<p>Paid sick leave</p> <p>Takes effect: April 2, 2020</p> <p>Expires: December 31, 2020</p>	<ul style="list-style-type: none"> Private sector employers that have fewer than 500 employees Public sector employers that have one or more employees <i>Small businesses with less than 50 employees may be exempted if leave requirements would burden the business too much</i> 	<ul style="list-style-type: none"> Two weeks of paid sick leave for full-time employees that meet leave eligibility requirements Part-time employee leave is based on the average hours they work 	<ol style="list-style-type: none"> Gov. mandated COVID-19 related quarantine Health care provider advised quarantine Experiencing symptoms or seeking diagnosis Caring for quarantined individuals or children who are at home due to COVID-19 Experiencing a similar condition as defined by HHS 	<ul style="list-style-type: none"> If home due to reasons 1-3: Regular rate of pay, capped at \$511 daily and \$5,110 in the aggregate If home due to reasons 4-5: 2/3 of regular rate of pay, capped at \$200 daily and \$2,000 in the aggregate
<p>Family and medical leave</p> <p>Takes effect: April 2, 2020</p> <p>Expires: December 31, 2020</p>	<ul style="list-style-type: none"> Private sector employers that have fewer than 500 employees <i>Small businesses with less than 50 employees may be exempted if leave requirements would burden the business too much</i> 	<ul style="list-style-type: none"> Ten weeks of paid family and medical leave for full-time employees that have been with the company for at least a month Part-time employees are "eligible for leave for the number of hours that the employee is normally scheduled to work over that period" 	<ul style="list-style-type: none"> Unable to work or telework because caring for quarantined individuals or children who are at home due to COVID-19 	<ul style="list-style-type: none"> At least 2/3 of regular rate of pay, capped at \$200 daily and \$10,000 in the aggregate

CARES Act Emergency Relief H.R. 6201



Many Small Business Owners are Turning to the SBA for Loans



As part of its low-interest federal disaster loans program, the SBA is making available Economic Injury Disaster Loans for affected small businesses

Understanding the program



Purpose: To help small businesses overcome temporary losses in revenue and other economic pains caused by COVID-19

Process: Governors make a request to the SBA for an Economic Injury Disaster Loan assistance declaration, which makes loans available statewide

Eligibility: Small businesses and private non-profits in all states and territories may apply for a low-interest loan to be issued directly by the government

Loan amounts: Eligible businesses may receive up to \$2 million in assistance; non-profits pay 2.75% in interest, small businesses pay 3.75%

Usage: Addressing costs that cannot be paid due to COVID-19, like fixed debts and payroll

Repayment: SBA offers long-term repayment, capped at 30 years; loan terms vary based on determinations about each individual borrower's case

Small Business Administration Disaster 7b Loans for Emergency Relief




Dan Kelly

Coronavirus Aid, Relief, and Economic Security Act ("CARES Act")

Submit Questions via the webcast portal





Title I – Keeping American Workers Paid and Employed Act

Sections 1101 – 1114



Title I – Keeping American Workers Paid and Employed Act

Section 1102: Paycheck Protection Program

- Expands businesses eligible for loans
- Modifies loan terms and requirements
- Allows portion of loan to be forgiven



Title I – Keeping American Workers Paid and Employed Act

Sec. 1102: Eligible Businesses

- Businesses and nonprofits that employ not more than the greater of (i) 500 employees, or (ii) the applicable size standard for the industry as provided by the SBA
- Employees includes all persons employed on a full-time, part-time, or other basis
- Sole-proprietors, independent contractors, and certain self-employed individuals are also eligible



Title I – Keeping American Workers Paid and Employed Act

Sec. 1102: Waiver of Typical Terms

- Waives “credit available elsewhere” test that normally applies to SBA loans, i.e. applicants are not required to seek other sources of capital prior to obtaining a loan under this program
- No personal guaranty required
- No collateral required



Title I – Keeping American Workers Paid and Employed Act

Sec. 1102: Loan Amount

- Applicants can receive loans for up to the lesser of 2.5x their monthly payroll costs or \$10 million
- Payroll costs include salaries, employee benefits, payments for vacation or leave, payment of retirement benefits, and state and local taxes
- Payroll costs cannot include employee compensation in excess of \$100,000/yr, payments to foreign employees, income tax withholdings, and paid leave as a result of COVID-19 under the Families First Coronavirus Response Act



Title I – Keeping American Workers Paid and Employed Act

Sec. 1102: Loan Terms

- Loan proceeds can be used for:
 - Payroll costs
 - Group healthcare benefits
 - Interest payments on mortgage debt incurred prior to February 15, 2020 (not including principal or prepayments)
 - Rent payments
 - Utility payments
- Maximum interest rate of 4%
- Any portion not forgiven under Sec. 1106 will continue as a normal loan for a term of up to 10 years
- Automatic deferment of principal and interest payments for at least 6 months and not more than 12 months
- Borrowers cannot obtain a Paycheck Protection Program loan and an SBA disaster loan for the same purpose



Title I – Keeping American Workers Paid and Employed Act

Sec. 1106: Loan Forgiveness

- Paycheck Protection Program loans are eligible for forgiveness equal to the amount the borrower spends on payroll costs, mortgage interest, rent, and/or utilities (all of which must have been incurred or begun service prior to February 15, 2020) in the 8 week period after origination of the loan
- Amount forgiven is reduced by two factors:
 - Reduction in employees
 - Reduction in salaries



Title I – Keeping American Workers Paid and Employed Act

Sec. 1106: Loan Forgiveness Reduction

- Reduction of employees
 - Portion of the loan forgiven is reduced in proportion to the reduction of full-time equivalent employees compared to prior periods
- Reduction of salaries
 - Portion of the loan forgiven is reduced by the amount of any reduction in total salary or wages of any employee in excess of 25% of the total salary or wage of such employee (excluding employee compensation in excess of \$100,000 annually)



Title I – Keeping American Workers Paid and Employed Act

Sec. 1106: Loan Forgiveness Grace Period

- Businesses that re-hire employees that have already been laid off as a result of COVID-19 prior to June 30, 2020 will not be penalized for having a reduced payroll at the beginning of the period, and the payroll costs of the re-hired employee are eligible with regard to loan forgiveness calculations
- Businesses will be required to submit documentation when applying for loan forgiveness, e.g. payroll tax filings reported to the IRS, state income, payroll, and unemployment insurance filings, canceled checks for mortgage interest payments, etc.
- Loan amounts forgiven under this program will not be considered taxable income



Title I – Keeping American Workers Paid and Employed Act

Sec. 1110: EIDL Program

- Economic Injury Disaster Loans are the second type of available loan under this legislation
- Expands eligible businesses to include sole proprietors, non-profits, cooperatives, and ESOPs with fewer than 500 employees
- Waives:
 - Personal guarantees on amounts less than \$200,000
 - Requirement that recipients need to have been in business for more than 1 year
 - Requirement that recipients are unable to obtain credit elsewhere



Title I – Keeping American Workers Paid and Employed Act

Sec. 1110: EIDL Emergency Advances

- Applicants for loans under this section may request that the Administrator provide an advance of not more than \$10,000 within 3 days of receipt of the application
 - Advances can be used for any allowable purpose
 - SBA must verify applicant is an eligible entity, but this can be done via a certification by the applicant
 - Applicants do not need to repay any advance, even if they are subsequently denied a loan
 - Applicants that receive an advance and later transfer into, or are approved for a PPP loan under Sec. 1102 will not receive a loan reduction for the advanced amount
 - This section expires December 31, 2020



Title II – Assistance for American Workers, Families, and Businesses

Subtitle A – Unemployment Insurance Provisions
Sections 2101 – 2116



Title II – Assistance for American Workers, Families, and Businesses

- Emergency Increase in Unemployment Benefits
 - Additional \$600/week to individuals receiving unemployment benefits
 - Additional benefits provided for up to 4 months
- Pandemic Emergency Unemployment Compensation
 - Provides an additional 13 weeks of unemployment benefits to individuals who have exhausted their benefits under state law
 - Not limited to COVID-19 related unemployment - available to any individual who has exhausted their benefits under state law
 - Individuals are eligible for additional benefits through December 31, 2020



Title II – Assistance for American Workers, Families, and Businesses

Payroll Tax Credits

- Provides tax credit for 50% of qualified wages paid by employer
 - Tax credit applies to Social Security taxes – future IRS guidance will help clarify how credit should be applied
- Employers eligible if:
 - Operations partially or fully shut down due to COVID-19 related order; or
 - Gross receipts declined by more than 50% compared to same quarter last year
- Eligible employers with 100 or fewer employees
 - All employee wages qualify for the credit
- Eligible employers with 100 or more employees
 - Wages paid to retained employees furloughed or working reduced hours due to COVID-19 qualify for credit
- Provides tax credit for 50% of qualified wages paid by employer
 - Tax credit applies to Social Security taxes – future IRS guidance will help clarify how credit should be applied
- Credit provided for the first \$10,000 of compensation paid to eligible employee
 - Including health benefits
- Credit provided for wages paid from March 13, 2020 – December 31, 2020
- The IRS will waive penalties for failure to pay applicable payroll taxes if failure to pay is due to anticipation of receiving the tax credit
- Credit is not available to employers that take small business interruption loans under 7(a) of Small Business Act
 - As included in Section 1102 of the CARES Act



Title II – Assistance for American Workers, Families, and Businesses

Payment of Payroll Taxes

- Delayed payment of employer payroll taxes
 - Employers may defer payment of employer portion of Social Security taxes
 - Employers generally responsible for paying 6.2% Social Security tax on employee wages
 - Deferred tax may be paid over following two years:
 - One half paid by December 31, 2021
 - One half paid by December 31, 2022



Title II – Assistance for American Workers, Families, and Businesses

Modification of Net Operating Losses (NOL)

- Relaxes a company's use of NOL
- NOL arising in tax years 2018, 2019, or 2020 can be carried back five years
 - Carries back 5 years from the taxable year of loss
 - E.g., 2018 NOL carry back to 2013
- NOL limit of 80% is suspended



Title III – Supporting America’s Health Care System in the Fight Against the Coronavirus

Subtitle C – Labor Provisions

Sections 3601 – 3611



Title III, Subtitle C – Labor Provisions

Paid Leave

- Sec. 3605 provides paid leave for rehired employees
- This is a dramatic revision which allows an employee who was laid off after March 1, 2020, to be rehired (as long as they worked 30 of 60 calendar days prior to the layoff)
- It appears that this then would allow a recently re-hired employee to immediately have access to some benefits under the FFCRA



Title III, Subtitle C – Labor Provisions

Advance of Credit

- Sec. 3606 allows employers to receive an advance of credit rather than wait for the Treasury to reimburse later as originally provided for in the FFCRA
- Provision states, in relevant part:
 - “...In anticipation of the credit, including the refundable portion under clause (i), the credit may be advanced, according to forms and instructions provided by the Secretary, up to an amount calculated under subsection (a), subject to the limits under subsection (b), both calculated through the end of the most recent payroll period in the quarter.”



Title III, Subtitle C – Labor Provisions

Federal Contractors

- Sec. 3610 governs Federal Contractor Authority
- Ensures that federal government contracts can be amended to allow contractors to be paid who are unable to telework, but need to remain ready to protect the life and safety of Government and contractor personnel



Title IV – Economic Stabilization and Assistance to Severely Distressed Sectors of the United States Economy

Subtitle A – Coronavirus Economic Stabilization Act of
2020

Sections 4001 – 4029



Title IV, Subtitle A – Coronavirus Economic Stabilization Act of 2020

Available Relief

- Allocates \$500 billion for the Secretary of the Treasury to make loans, loan guarantees, and other investments to “eligible businesses, States, and municipalities”
 - \$25 billion for passenger air carriers
 - \$4 billion for cargo air carriers
 - \$17 billion for “businesses critical to maintaining national security”
 - **\$454 billion for “eligible businesses, States or municipalities”**

Eligible Business

- “Eligible business” means “a United States business that has not otherwise received adequate economic relief in the form of loans or loan guaranties provided under this Act.”



Title IV, Subtitle A – Coronavirus Economic Stabilization Act of 2020

\$454 Billion Allocation to Eligible Businesses

- Will be made available to eligible businesses through programs or facilities established by the Federal Reserve
- Secretary of the Treasury controls terms and conditions



Title IV, Subtitle A – Coronavirus Economic Stabilization Act of 2020

Mid-Sized Business Loans

- Eligible businesses and non-profits with 500-10,000 employees
- Treasury must endeavor to implement a program with:
 - Rates of no more than 2% per year
 - No payments of principle or interest for at least 6 months
- To qualify, business must provide good-faith certification the business meets 10 enumerated criteria



Title IV, Subtitle A – Coronavirus Economic Stabilization Act of 2020

Mid-sized Business Loan Criteria

- Uncertainty of economic conditions makes the loan necessary to support ongoing operations
- Funds will be used to retain 90% of workforce until 09/30/2020
- Will restore 90% of workforce (as of 02/01/2020), and full benefits within 4 months of end of pandemic
- Domiciled in, has significant operations in, and a majority of employees based in the United States
- Not a debtor in a bankruptcy proceeding
- Will not pay dividends to its common stock, or repurchase an equity security listed on a national exchange while the loan is outstanding
- Will not outsource or offshore jobs for the term of the loan and 2 years after completing repayment
- Will not abrogate existing collective bargaining agreements, and will remain neutral in any union organizing effort for the term of the loan



Questions?

Submit Questions via the webcast portal





Thank You.

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- Covid-19 Information- All Members**