Stimulus Resources for NAHB Members

In recent weeks, Congress has adopted three bills aimed at stabilizing the economy, with more to come. We are highlighting here the key new programs that you may be able to utilize.

****NOTE: NAHB is providing this information for general information only. This information does not constitute the provision of legal advice, tax advice, accounting services, investment advice, or professional consulting of any kind nor should it be construed as such.****

Small Business Loans and Grants

Economic Injury Disaster Loans

Small business owners in all U.S. states and territories are currently eligible to apply for low-interest Economic Injury Disaster Loans (EIDL) of up to $2 million that can provide vital economic support to help overcome the temporary loss of revenue due to the COVID-19 response. Applicants may request an advance in the amount of $10,000 to be delivered within three days of the request. This advance must be used to:

1. Provide sick leave to employees unable to work due to the effects of COVID-19;
2. Maintain payroll to retain employees;
3. Cover increased costs of materials due to interrupted supply chains;
4. Make rent or mortgage payments; or
5. Repay other obligations that cannot be met due to revenue losses.

An applicant will not be required to repay this advance if it is used for these purposes, even if they are subsequently denied a loan under the EIDL program. **Qualified businesses can apply** on the SBA's website.

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Paycheck Protection Program—Small Business Administration 7(a) Loan Expansion

The stimulus bill includes the creation of the Paycheck Protection Program (PPP) that allows eligible small and medium sized businesses to apply for an expanded SBA 7(a) loan program. The traditional 7(a) eligibility requirements will not apply. Instead, all businesses with fewer than 500 employees are eligible including self-employed individuals, sole proprietors, independent contractors, nonprofit organizations, and tribal businesses. Under this expanded program, certain 7(a) loan requirements such as personal guarantees, SBA fees and collateral requirements, will be waived.

This program is not provided through SBA directly, so the first step to qualifying for a 7(a) loan is to find an SBA approved lender in your community. Your lender can guide you through the application process and determine which 7(a) loan product will work best for your business.

Allowable uses of these loans include:

1. Payroll costs;
2. Certain costs related to the continuation of group health care benefits;
3. Employee salaries (including commissions);
4. Mortgage, rent and utilities payments; and
5. Interest on any other debt obligations that were incurred before the covered period.

A loan recipient may be eligible for forgiveness on a covered loan used for costs including up to eight weeks of payroll (if the employer does not release employees or reduce salaries), mortgage and rent obligations, and utility payments.

If you have questions about the 7(a) loan program, please **submit this form** and NAHB staff will follow up and provide additional guidance as needed.

SBA 7(a) LOAN EXPANSION

Allowable uses:

- Payroll costs
- Group healthcare benefit costs
- Employee salaries
- Mortgage, rent and utilities
- Interest on other debt obligations

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Emergency Sick Leave and Medical Leave

Congress has adopted a new mandate on all employers requiring 10-days of paid sick leave for employees affected by COVID-19. In addition, employees may be eligible for 12-weeks of paid leave under the Family and Medical Leave Act if their son or daughter's school closes or they otherwise have child care issues due to COVID-19. These mandates take effect on April 1.

To offset these costs, businesses can claim a tax credit to fully offset all wages, including employer-paid health insurance costs, paid out under this new mandate. To speed up delivery of the credits, Congress has recently added the ability for employers to get an advance refund on these credits.

Detailed information on these new requirements, as well as the tax credits, **can be found here**.

Recovery Rebates

The tax-related centerpiece of the third economic stimulus bill consists of "recovery rebates" — a $1,200 one-time payment (plus $500 per child) — mailed (or direct deposited) to every eligible taxpayer in the coming weeks.

Eligible recipients include taxpayers with adjusted gross income up to $75,000 (single)/$112,500 (head of household)/$150,000 (joint filers). Joint filers will receive $2,400. The rebate is phased out for taxpayers with higher incomes and is completely phased out for single filers, heads of household, and joint filers with incomes above $99,000, $136,500, and $198,000, respectively.

All eligible taxpayers will receive a check, which will be processed automatically based on the taxpayers' 2019 tax returns. If the taxpayer has not yet filed a 2019 tax return, the IRS will use their 2018 tax return.

EMERGENCY SICK LEAVE

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RECOVERY REBATES

"Recovery rebates" are $1,200 one-time payments ($500 per child) mailed to every eligible taxpayer.

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Employee Retention Credit

Eligible employers are allowed a credit equal to 50% of qualified wages with respect to each employee, on a quarterly basis. An eligible employer means any employer carrying on a trade or business in 2020 during which in any calendar quarter:

- The operation of the trade or business is fully or partially suspended during the appropriate calendar quarter due to orders from an appropriate governmental authority limiting commerce, travel, or group meetings due to COVID-19; or
- The trade or business experiences a significant decline in gross receipts, with a 50% decline in gross receipts when compared to the same quarter in the prior year. Businesses remain eligible until their gross receipts recover to 80% when compared to the same quarter in the previous year.

Maximum wages, including health insurance benefits, eligible for the credit for all calendar quarters is $10,000. For businesses with 100 or fewer employees, generally all wages of full-time employees are eligible. For larger businesses, only those wages paid to full-time employees who are not providing services due to a suspension of business operations or reduction in gross receipts are eligible. Wages may also include an employer's qualified health plan expenses allocable to the employee.

Credit is refundable to the extent it exceeds payroll taxes.

Employers receiving a loan under section 7(a) of the Small Business Act are not eligible for the employee retention credit.

Delay of Employer-Paid Payroll Tax Payments

Employers and self-employed individuals may defer payment of the employer share of Social Security taxes they are responsible for paying.

This allows employers and self-employed individuals to save temporarily on the 6.2% Social Security tax on wages.

This is not a payroll tax holiday.These deferred taxes must be repaid over the following two years. Half of the amount will be due by Dec. 31, 2021 and the other half by Dec. 31, 2022.

EMPLOYEE RETENTION CREDIT

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DELAY OF EMPLOYER-PAID PAYROLL TAX PAYMENTS

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Waived Penalties for Early, Coronavirus-Related Withdrawals from Retirement Funds

Taxpayers will not have to pay the 10% early withdrawal penalty for distributions up to $100,000 from qualified retirement accounts. Taxpayers will have three years to pay taxes on income from such a distribution, and

The taxpayer may recontribute the funds to an eligible retirement plan within three years without regard to that year's cap on contributions.

This provision is only applicable for coronavirus-related purposes. To qualify, the taxpayer must:

- Be diagnosed with COVID-19;
- Have a spouse or dependent diagnosed with COVID-19; or
- Experience adverse financial consequences as a result of:
- Being quarantined, furloughed, laid off, having work hours reduced;
- Being unable to work due to COVID-19 related child care issues;
- Closing or reducing hours of a business operated by the taxpayer; or
- Other factors as determined by the Secretary of Treasury.

Net Operating Loss (NOL) Modifications

For income tax purposes, NOLs arise when allowable deductions of a business exceed their taxable income. Under current law, businesses can carry forward NOLs indefinitely to offset against future taxable income, but losses may not exceed 80% of taxable income in any tax period. NOLs may no longer be carried back and used to offset tax liability in prior years.

Congress has temporarily modified these rules so that losses from 2018, 2019 and 2020 may be carried back five years from the year in which the loss was incurred. This will allow businesses with NOLs to amend prior year tax returns and obtain refunds to provide additional liquidity.

WAIVED PENALTIES FOR EARLY, CORONAVIRUS-RELATED WITHDRAWALS FROM RETIREMENT FUNDS

Taxpayers will not have to pay the 10% early withdrawal penalty for distributions up to $100,000 from qualified retirement accounts.

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Modifications on Limitation of Business Interest

For businesses subject to the 30% of income limitation on deducting business interest expenses, Congress increased the limit to 50% for 2019 and 2020.

Single Family Mortgage Relief

Congress has enacted legislation to permit anyone with a loan backed by Fannie Mae, Freddie Mac, FHA, VA or Rural Housing to receive forbearance up to one year on their mortgage by calling their servicer and reporting that they have a COVID-19 related financial hardship.

Congress also temporarily barred foreclosures on government-backed mortgages for not less than 60 days beginning March 18, 2020.

Multifamily Mortgage Forbearance

Congress has allowed multifamily mortgage forbearance for all federally backed mortgages (Fannie Mae, Freddie Mac or FHA). Owners may request forbearance for 30 days, with the option of two additional 30 days as needed for a total of 90 days. During that time frame (by the end of the termination of the national emergency or Dec. 31, 2020, whichever comes first) owners will be unable to evict tenants or charge late fees.

Congress has also imposed an immediate 120-day moratorium on evictions and associated fees for non-payment of rent for all properties insured, guaranteed, supplemented, protected or assisted in anyway by HUD, Fannie Mae, Freddie Mac, the rural housing voucher program, or the Violence Against Women Act. After the 120 days, owners must give 30 days written notice of an eviction. The eviction is specifically only for non-payment. At the end of this period, the tenants will be required to pay all rent due.

SINGLE FAMILY MORTGAGE RELIEF

Congress has enacted legislation to permit anyone with a loan backed by Fannie Mae, Freddie Mac, FHA, VA or Rural Housing to receive forbearance up to one year on their mortgage.

MULTIFAMILY MORTGAGE FORBEARANCE

Congress has allowed multifamily mortgage forbearance for all federally backed mortgages (Fannie Mae, Freddie Mac or FHA).

Project-Based Rental Assistance (PBS8)

Congress has appropriated $1 billion for multifamily developers who currently have PBS8 projects to help maintain and run operations of these properties.

Unemployment Provisions

Congress enacted a significant expansion of unemployment benefits to support workers who have lost their jobs as a result of the COVID-19 health pandemic. Specifically, the measure:

- Creates a temporary Pandemic Unemployment Assistance (PUA) program to provide payment to those not traditionally eligible for unemployment benefits — such as the self-employed and independent contractors — who are unable to work as a direct result of the coronavirus pandemic. Payments through the PUA program are authorized for a maximum of 39 weeks, ending Dec. 31, 2020. This will be a huge economic relief to a large segment of NAHB's membership.
- Extends traditional unemployment insurance (UI) benefits for another 13 weeks and provides for an additional $600 per week for each recipient of traditional UI or PUA for up to four months.
- Authorizes federal funds to cover the usual one-week waiting period before an individual gets their first unemployment benefits so that they can start receiving payments immediately.
- Funds short-term compensation (STC) programs that allow states to create new programs for employers that are having to choose between laying off or furloughing their employees to receive funding to keep those workers on their payroll. The STC program funding will be available for coverage during the weeks of unemployment through Dec.31, 2020. Temporary, seasonal or intermittent workers are not eligible for those types of benefits.
- Authorizes payments to states to reimburse government agencies, tribes and nonprofits for half the payments they are required to make into the state unemployment fund.

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For more information, visit the "Protect Your Business" section at **NAHB.org/coronavirus**

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