



## BEST PRACTICES: SURVIVING THE ECONOMIC IMPACT OF COVID-19

In this uncharted business climate and economic times, many in the fair industry have expressed questions and concerns related to keeping their businesses solvent and ready for when the pandemic has passed. During the March 24th WFA membership calls a number of business strategies were shared and more questions were asked. This article is a summary of recent economic relief and stimulus legislation and interventions that may help you navigate the economic impact of COVID-19.

To help prepare this article we interviewed Gary Findley, Esq., President of Gary Steven Findley & Associates, a law firm specializing in banking law whose areas of expertise include: regulatory relations/legal work, mergers and acquisitions, securities, corporate representation, regulatory enforcement action counseling, and capital restoration programs. Gary is also a fair time aficionado of cinnamon rolls and Tasti chips, a demolition derby sponsor, a JLA buyer, a frequent patron of beer booths, a carnival ride tester, a prolific personal shopper in the Parade of Products and a lover of all things “FAIR!”

The main question we asked was how do our service member businesses survive the impact of COVID -19 and the economic impact on the fair industry. Many of the recommendations and information shared by Gary Findley may apply to your personal finances as well.

With the expected immediate passing of the Coronavirus Aid, Relief and Economic Security (CARES) Act there is relief in sight. Within the CARES Act are a number of provisions that will help banks sustain critical economic activity, help both lenders and borrowers survive the crushing impact of “shelter-in-place” and provide resources to the individuals and small businesses in our network of fairs. We have summarized a few resources and suggested *Best Practices* to help your personal and small business financial condition.

### As the Pandemic Continues it is a Priority to:

1. Keep yourself and your family healthy and safe;
2. Keep your employees healthy and safe;
3. Keep your personal and business finances healthy in the short term and prepared for an uncertain future;
4. Protect and manage your cash flow so that you can pay your bills.

Cash flow is key in the immediate future. You want to pay your expenses, cut what expenses you can and look at what expenses can be deferred. Having cash available in these uncertain times is a *best practice*.

## Focus on a Good Relationship with Your Banker.

There are many provisions in the CARES Act that change how banks can work with and support their clients. The only way for you to truly understand what the bank can do for you is for you to communicate, meet and plan with your banker.

- A. If you need money now for personal or business reasons, meet with your banker to see what they recommend. There are a number of loan programs and products that may help you meet your cash flow needs in the short term.
- B. If you have an existing loan, meet with your lending institution or banker and ask what programs they have that offer borrowers' assistance.
  - a. Banks are interested in keeping existing loans solvent and active. They are receiving incentives from both the State and Federal governments through temporary changes and reprieves in regulations, requirements, ratings and evaluations from bank examiners that give them the freedom to work with you to develop a plan that helps you survive.
  - b. Ask about
    - i. A 90-day deferral of interest payments on loans;
    - ii. A 90-day deferral of interest and principal payments;
    - iii. Modification or restructure of the loan - no fees for restructuring;
  - c. Know that it is not in the best interest of the bank for a loan to default. The bank does not want the property, capital improvement, or equipment asset. (Can you imagine a banker selling turkey legs?!) The banks are currently incentivized to work with borrowers.
- C. **Best Practice** - Reach out to your account officer, your banker and create a plan. If you do not know who your account officer is, contact the bank. Every bank website has notice of its COVID-19 Assistance programs. And if they don't right now, they will very soon.

Products and options we are seeing banks offer as part of their COVID-19 assistance programs include:

  - a. Personal loans
  - b. Credit cards
  - c. Credit card payment deferral
  - d. Mortgage forbearance
  - e. Small Business Owner loans, credit cards and payment deferrals.
  - f. Other SBA programs.
  - g. Waiving of NSF and ATM fees.
- D. Mortgage Forbearance

The CARES Act provides that any borrower with a federally backed mortgage (e.g. Fannie, Freddie, VA, FHA, USDA) may request forbearance for up to one year. Owners of apartment buildings can also seek forbearance on federally backed mortgages on the condition that they not evict tenants or charge late fees.
- E. Tax Relief

- a. Refund Prior Year Taxes Paid. The CARES Act creates a five-year net operating loss (NOL) carryback for tax years 2018, 2019 and 2020 to allow businesses with losses to recover taxes paid in prior years. Moreover, the provision allows a taxpayer to recover up to 100 percent of taxes paid versus the current limitation of 80 percent. A 5-year NOL carryback was a critical source of funds for struggling businesses during the financial crisis of 2008-2009 and its wake.
- b. Expanded Business Interest Deduction. The CARES Act allows businesses with revenues of more than \$25 million annually to deduct interest up to 50 percent (up from 30 percent) of EBITA for tax years 2019 and 2020. Businesses with less than \$25 million in annual revenues have no limitation on the deduction of business interest.
- c. Delay of Payroll Tax and Tax Deposits. The CARES Act defers collection of employer payroll taxes (6.2 percent of wages) until 2021. One-half of deferred taxes are due at year-end 2021 and the remainder are due year-end 2022.
- d. Delay of State and Federal Income Tax Filing. Both the Federal government and the State have deferred the filing and paying income tax to July 15, 2020.

### How to Navigate the Immediate and What to Expect in the Near Future

#### Right now:

- A. Look at your expenses and determine what you can eliminate, pay or defer.
- B. Don't add to your expenses and don't make long-term investments unless you have the CASH to pay for them.
- C. Protect and manage your cash flow.

#### What to expect?

- A. The world economy, as well as local economies, are experiencing unprecedented change and impacts. Don't expect the economy and business to pick up where we left off prior to COVID-19. When the public is allowed to move about freely and gather, we will be in a new normal. Do not expect to return to the former "normal."
- B. Expect the fair industry to pivot and adjust to the rapidly occurring changes however as a service provider, if your normal was to play ten spots, now plan on 6. And expect at the 6 spots that you do play, that your revenue will be 80% of normal.
- C. Remember that EVERYONE and we mean EVERYONE is drinking from the same fire hose. We are in uncharted territory. There are great minds focused on the medical and social response to the spread and treatment of COVID-19. There are great minds focused on the business and economic emergency and impacts on businesses.
- D. Remember to be patient, seek reliable and trustworthy information and advice, and communicate! Communicate with fairs, bankers, suppliers, and colleagues. We will overcome these challenges but only if we practice the actions of a connected network, all striving for the common good.

## Recommended Sources of Up-to-Date Information

The following entities are making a full effort to communicate and offer real-time information and advice to the business community. Turn to and investigate these sites routinely.

- Local financial institutions - all have dedicated a portion of their websites to COVID-19 Assistance and Information.
- The California Department of Business Oversight - [www.DBO.CA.gov](http://www.DBO.CA.gov). The DOB regulates all state-chartered banks and has regularly updated COVID-19 information on their website.
- [FDIC: Federal Deposit Insurance Corporation - www.fdic.gov](http://www.fdic.gov) - the FDIC is a federal insurance program that insures deposits in banks. They have regular COVID-19 updates.
- Small Business Administration, [www.SBA.gov](http://www.SBA.gov) - offers support and programs for small businesses and has regularly updated COVID-19 updates.
- Western Fairs Association - [www.westernfairs.org](http://www.westernfairs.org) - the site where fairs, service providers, suppliers, entertainers, carnivals, and entities associated with fairs share information.

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