



April 6, 2020

Re: COVID-19 CARES Act Rescue Package

Dear Client:

I hope that you are safe and well during the current safer at home lockdown.

If you have not done so already, I urge you to apply for Payroll Protection Program, aka PPP, for your business as soon as possible. As there is a funding cap, the money will likely run out before June 30, 2020.

Interim rules for borrowers were released on Saturday, April 4, 2020 by the US Treasury, <https://home.treasury.gov/system/files/136/PPP--IFRN%20FINAL.pdf>. In this updated release, I found following language “This interim final rule applies to applications submitted under the Paycheck Protection Program through June 30, 2020, or until funds made available for this purpose are exhausted.” I found that language odd, so I did a quick math on the average benefit to small business and here is what I came up with.

According to U.S. Department of Treasury, \$349 billion is earmarked for PPP, <https://home.treasury.gov/system/files/136/PPP--Fact-Sheet.pdf>. There are also 30.2 million small businesses in the US, <https://www.sba.gov/sites/default/files/advocacy/2018-Small-Business-Profiles-US.pdf>. That is \$11, 556 per small business and I expect most small businesses will apply for PPP. For most of our clients, that just is not enough to sustain their business for two to three months.

Liquidity will be key for survival until return of normal revenue. We are hoping that normal revenue will return by July 1<sup>st</sup>, but we should also plan for a longer period before return to normal revenue.

If normal revenue does not return by June 30<sup>th</sup>, a lot of small businesses will fail over the next six months, <https://www.uschamber.com/report/special-report-coronavirus-and-small-business>. However, if your business is still standing at the end of this crisis, you will have more business since you will have less competition.

In addition to PPP, there are other provisions, of the CARES Act offering you liquidity. As such, please call us to gain additional liquidity to weather this storm.

So maintain your liquidity, do social distancing and let’s flatten the curve.

Sincerely,

Steven Y.C. Kang, CPA  
Managing Partner  
KSGA, LLP

*Proverbs 15:23*

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