

Small Business Relief Programs

In response to the COVID-19 pandemic, Congress has created a number of programs to help small businesses and their workers weather these challenging times. This document includes an overview of the primary programs as of April 1, 2020. Note that Congress may or may not act in the future to extend or expand these programs.

New SBA Loans

Under the CARES Act, Congress established an enhanced 7(a) lending program at the Small Business Administration called the Paycheck Protection Program (PPP). The program includes loan forgiveness to cover certain costs, effectively turning portions of a loan into a grant.

Who qualifies for loans under the Paycheck Protection Program?

The PPP is available to small businesses, 501(c)(3) nonprofit organizations, 501(c)(19) veteran's organizations, and tribal businesses. Only entities with 500 employees or fewer qualify.

What are the terms of the loan and what is the maximum loan amount?

Loans will have interest rates of 1% and a maturity of 2 years. The maximum loan amount under the PPP is \$10 million. An individual entity's maximum loan will be based on its payroll.

How is loan forgiveness determined?

Borrowers are eligible for loan forgiveness for costs during the 8-week period after the origination date of the loan. The loan is eligible to be forgiven if the funds are used for payroll support, interest payments on a mortgage, rent payments, and utility payments. For the purposes of forgiveness, not more than 25% of the loan can be used for non-payroll costs. Costs that are not eligible include compensation over \$100,000 (annualized) for an employee, certain taxes, compensation to employees outside of the United States, and sick and family leave for which a tax credit is available. Forgiveness amounts will be reduced proportionately if there are reductions in staff and payroll. To obtain loan forgiveness borrowers will submit a request to their lender, including documentation to verify that the loan was used for eligible purposes.

What if I've already had to lay off some of my employees?

While the amount of forgiveness on a loan will be reduced proportionally by reductions in headcount or salaries, borrowers will not be penalized if they rehire laid-off workers and restore reduced salaries by June 30, 2020.

How do I apply for a loan under the Paycheck Protection Program?

You can apply for a loan under the Paycheck Protection Program through any existing SBA 7(a) lender or through federally insured depository institutions, federally insured credit unions, and Farm Credit System institutions. If you need help finding a qualified lender, you can visit the SBA website at www.sba.gov for a list of SBA lenders. Small businesses, including sole proprietorships, can begin applying for loans on April 3, 2020, and independent contractors and self-employed individuals can begin applying for loans on April 10, 2020.

Are there other types of loans that I may qualify for?

Yes, many small organizations are eligible for Economic Injury Disaster Loans (EIDL). EIDLs are low-interest loans of up to \$2 million that are available to pay for expenses, like payroll and operating costs, that otherwise would have been paid if not for a disaster. You can apply for an EIDL directly through the SBA by visiting its website at <https://covid19relief.sba.gov/#/>.

Why would a business opt for an Economic Injury Disaster Loan instead of a PPP?

Borrowers may wish to consider an EIDL loan because they allow for a broader use of funds including paying for fixed debts, payroll, accounts payable, and other obligations that cannot be met due to the current pandemic. Additionally, EIDL loans are available to more entities including most private non-profits that are tax exempt under Sections 501(c), (d), or (e).

What are the loan terms for an Economic Injury Disaster Loan?

Loans can have a term up to 30 years depending on the borrower's ability to repay. Interest rates for an EIDL are 3.75% for small businesses and 2.75% for non-profit organizations. EIDL loans are not eligible for forgiveness.

What is an Emergency EIDL Grant?

An Emergency EIDL Grant provides an advance payment of up to \$10,000 to a prospective borrower within three days of applying for an Economic Injury Disaster Loan. Borrowers are not required to repay these advance payments, making them in effect grants. The advance payment can be used for providing leave to employees, maintaining payroll, rent and mortgage payments, and other obligations that cannot be met due to the pandemic. Please note that if you refinance your EIDL loan into a PPP loan, your advanced payment under the EIDL loan would be subtracted from any forgiveness granted under the PPP loan.

Existing SBA Loans

Are there any supports for existing SBA loans?

Yes, under the CARES Act the SBA will pay the principal, interest, and other fees that are owed on existing 7(a), 504, and microloan products for six months.

Tax Credits

What other supports are available to me if I do not want to take out an SBA loan?

The CARES Act includes an employee retention tax credit equal to 50% of qualified wages during the COVID-19 crisis. The credit will be provided for wages and compensation, including health benefits, on up to \$10,000 per employee. Businesses eligible for this tax credit includes employers whose operations have been completely or partially suspended due to a government order limiting commerce, travel or group meetings. The credit is also available to employers that have experienced a reduction greater than 50 percent in quarterly receipts year-over-year. There is no size limit on the businesses that qualify for the employer retention tax credit and employers may request an advance payment of the credit.

Additionally, the CARES Act allows employers to delay paying the employer portion of FICA taxes for the remainder of 2020. The deferred taxes would be due in two installments, one at the

end of 2021 and the other at the end of 2022. There is no size limit to employers that qualify to defer payment on a portion of FICA taxes in 2020.

These tax credits are only available to businesses that do not take out SBA PPP loans.

For more information about the Employee Retention Credit, please visit the IRS website at: <https://www.irs.gov/newsroom/faqs-employee-retention-credit-under-the-cares-act>.

Paid Leave

Are employers required to offer paid leave?

The Families First Coronavirus Response Act requires employers with less than 500 employees to provide 2 weeks of paid sick leave for employees who are unable to work because they are quarantined, sick, or seeking a medical diagnosis due to the COVID-19 pandemic. These employees are entitled to paid leave equal to their regular rate of pay up to \$511 per day.

Additionally, employers are required to provide paid sick leave equal to two-thirds of an employee's regular rate of pay up to \$200 per day if an employee is unable to work because they are caring for an individual under quarantine or a child whose school or care provider is closed due to the COVID-19 pandemic. Employers are also required to provide up to 10 additional weeks of paid family and medical leave at two-thirds the employees regular rate up to \$200 per day for employees that are unable to work because a child's school or care provider is closed.

Are there any exemptions for small businesses?

The Secretary of Labor has the authority to issue regulations to exempt employers with fewer than 50 employees if the new leave requirements would jeopardize the business.

Is help available to employers to cover the costs of paid leave?

Employers are eligible for tax credits equal to the qualifying wages paid for sick and family leave. Employers can claim the credits beginning on April 1, 2020. Employers claiming credits may benefit more quickly by reducing their federal employment tax deposits or by requesting an advance payment of the credits from the IRS.