



**SMALL BUSINESSES, 501C3's,
SOLE PROPRIETORS, AND
INDEPENDENT CONTRACTORS
IMPACTED BY COVID-19**

CARES Act programs

May 4, 2020

**THE APPLICATION FOR THE PAYCHECK
PROTECTION PROGRAM CAN BE FOUND
HERE: [PPP Application](#)**

- Small businesses, sole proprietorships and not-for-profit organizations will be able apply for Paycheck Protection loans starting April 3.
- [Check here](#) for status of program replenishment.
- Small businesses, not-for-profit organizations, veterans' organizations, self-employed, sole proprietors, or independent contractors qualify for loans of 250% times your monthly payroll, which can be used for payroll expenses (including health and other benefits), mortgage, lease and utilities.

Coverage:

- » **Loan to Cover Operating Expenses.** The program would provide a loan equal to 2.5x its monthly payroll expenses. The loan can pay for payroll, rent, and utilities.
- » **Loan Forgiveness.** Borrowers could have eight weeks of payroll, rent, mortgage payments, and utilities forgiven if they maintain their workforce.
- » **Incentives to Rehire.** While reductions in workforce usually result in a reduction in loan forgiveness, the legislation allows companies that already laid off workers to rehire them while still benefitting from full loan forgiveness.



- Loans made under the program can be forgiven for the total amount that the borrower spent on payroll (capped at \$100,000 for each employee on an annualized basis) mortgage interest, rent, and utilities in the eight weeks following their loan's origination. The lender will then have 60 days to determine the appropriate level of forgiveness, at which point SBA would purchase and forgive the relevant amount of the initial loan.
- The amount of loan forgiveness will be reduced if recipients reduce full-time employee headcount, or decrease by 25% salaries and wages for any employee making less than \$100,000
- Payments are deferred for six months and up to a year; no collateral is required, no personal guarantee is required; no SBA fees.
- Interested parties **apply directly with banks**/lending institutions for this loan program. The bank will calculate the amount of the loan from the tax documents provided that show payroll expenses (including health insurance benefits).
- Additionally, employers are allowed to make extra payments to tipped employees to account for their loss of tips.
- The forgiven debt is not counted as taxable income.
- Any portion of the loan not forgiven will remain guaranteed by SBA and have a 2-year maturity and .5 percent interest rate. Lenders will be required to defer payment of that loan for six months.
- To apply for the forgiveness, the borrower will submit to their lender documents including:
 - » state or federal payroll documents;
 - » documentation of mortgage interest, rent, or payroll expenses; certification that the information

is true; and any other documentation that SBA determines is appropriate.

Small Business Association (SBA) Economic Injury Disaster Loan *(Benefits expanded by "CARES" Act.)*

- The SBA's Economic Injury Disaster Loan (EIDL) program provides small businesses with low interest loans up to \$2 million that can provide vital economic support to small businesses to help overcome the temporary loss of revenue they may be experiencing. No Cost to apply. Click [here](#) for updates.
- Qualifying business are also eligible for an Economic Injury Disaster Loan Advance, in the form of an expedited grant of up to \$10,000. At this time, EIDL Advances are only available to certain agricultural businesses. [Click here](#) for additional information on eligibility.
- CARES Act waives the requirement for personal guarantees on EIDL loans amounts less than \$200,000 and borrower is not required to have been in business for at least 1 year.
- The requirement that borrowers are unable to obtain credit from other sources is waived on EIDL loans.
- Can work in conjunction with PPP loan program. If you received an EIDL loan related to COVID-19 between January 31, 2020 and the date at which the PPP becomes available, you would be able to refinance the EIDL into the PPP for loan forgiveness purposes. However, you may use both EIDL and PPP loans as long as there is no duplication in the uses of the funds. Remaining portions of the EIDL, for purposes other than those laid out in loan forgiveness terms for a PPP loan, would remain a loan.
- To apply for a COVID-19 Economic Injury Disaster Loan, [click here](#).

SBA Express Bridge Pilot Loan (*Benefits Expanded by “CARES” Act*)

- This program allows small businesses who currently have a business relationship with an SBA express lender to access up to \$25,000 with less paperwork and fast turnaround. If a business has an urgent need for cash while waiting for a decision or disbursement on an Economic Injury Disaster Loan, it may qualify for this loan program.
- The CARES Act increases the maximum SBA Express loan—a loan whose application SBA will process in 36 hours—from \$350,000 to \$1 million through December 31, 2020.
- To apply for a COVID-19 Express Bridge Pilot Loan, [click here](#).



SBA Small Business Automatic Deferment Payments for Existing SBA Disaster Loans

- The SBA announced in its March 23, 2020 press release that it will automatically defer payments on current disaster loans through December 31, 2020. According to the announcement borrowers do not have to contact the SBA to request deferment.
- To read the press release and sign up for updates, [click here](#).

SBA Small Business Debt Relief Program for Existing Borrowers of SBA 7A, 504 or Microloans (non-disaster SBA loans) (*“CARES” Act*)

- This program will provide immediate relief to small businesses with non-disaster SBA loans, in particular 7(a), 504, and microloans.
- Under it, SBA will cover all loan payments on these SBA loans, including principal, interest, and fees, for six months.
- Debt relief is automatic, but you should check with your lender
- This relief will also be available to new borrowers who take out any of these loans within the next six months.
- For more information, refer to page 6 in the Small Business Owner Guide from the Senate’s Small Business Committee, [click here](#).
- To apply for SBA debt relief, [click here](#).

Tax Provisions in “CARES” Act That Are Favorable to Business.

- For IRS fact sheets with information and details, [click here](#).

Employee Retention Tax Credit

- » Small businesses may be eligible for refundable payroll tax credit for 50 percent of wages paid by employers to employees from March 12, 2020 to January 31, 2021. The credit is available to employers whose (1) operations were fully or partially suspended due to a COVID-19 related government order limiting commerce, travel or group meetings, or (2) gross receipts declined by more than 50 percent when compared to the same quarter in the prior year. This credit is not available to employers receiving PPP assistance.

Advanced Tax Credits for Paid Leave

- » The CARES Act allows employers to receive an advance tax credit for required paid sick leave (under the Families First Coronavirus Response Act) instead of having to be reimbursed.

Delay of Payment of Employer Payroll Taxes

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

Net Operating Loss Modifications

- » The provision relaxes the limitations on a company's use of losses. Net operating losses (NOLs) are currently subject to a taxable-income limitation, and they cannot be carried back to reduce income in a prior tax year. The provision also temporarily removes the taxable income limitation to allow an NOL to fully offset income. These changes will allow companies to utilize losses and amend prior year returns, which will provide critical cash flow and liquidity during the COVID-19 emergency.



Assistance to Businesses and Not-for-Profits for Paid Sick and Expanded Family Leave for Employees impacted by COVID-19. (Benefit from the "Families First Coronavirus Response" Act)

- » Gives small businesses funds to provide employees with paid sick leave, either for the employee's own health care needs, or to care for family members affected by COVID-19. These provisions will apply from the effective date through December 31, 2020.
- » The Department of Labor's Wage and Hour Division administers and enforces the new law's paid leave requirements. For US Department of Labor fact sheets with information and details, [click here](#).