

The Coronavirus Aid, Relief and Economic Security (CARES) Guide for Small Businesses

The *Coronavirus Aid, Relief and Economic Security (CARES)* Act signed into law on March 27, 2020 is intended to bolster businesses and individuals that are economically impacted by the coronavirus pandemic. The \$2 trillion stimulus package includes a \$377 billion small business rescue plan that includes forgivable loans for small businesses, tax credits and deferrals, and measures around unemployment.

This guide includes helpful information on the financial incentives to small businesses included in the CARES Act.

Small Business Rescue HIGHLIGHTS

- **PAYCHECK PROTECTION PROGRAM LOANS (Page 1)**
Provides cash-flow assistance through 100% federally guaranteed forgivable loans to employers who maintain their payroll during this emergency.
- **SMALL BUSINESS DEBT RELIEF PROGRAM (Page 4)**
Provides immediate relief to small businesses with non-disaster SBA loans, in particular 7(a), 504, and microloans.
- **ECONOMIC INJURY DISASTER LOANS & EMERGENCY ECONOMIC GRANTS (Page 5)**
Provides an emergency advance to small businesses and private non-profits.
- **SMALL BUSINESS COUNSELING (Page 6)**
Free counseling and low-cost training to help navigate uncertain economic times.
- **SMALL BUSINESS CONTRACTING (Page 6)**
Provides relief and protection through modified contract terms and conditions.
- **SMALL BUSINESS TAX PROVISIONS (Page 7)**
Provides refundable tax credits for private-sector employers that are required to offer coronavirus-related paid leave to employees.

PAYCHECK PROTECTION PROGRAM (PPP)

The Paycheck Protection Program (PPP) funds certain business expenses incurred between **February 15, 2020 and June 30, 2020** by providing cash-flow assistance through 100% federally guaranteed loans to employers who maintain their payroll during the coronavirus pandemic.

FEATURES OF PPP LOANS

- Loans forgiveness for some or all of the loan for up to 8 weeks of payroll based on employee retention and salary levels
- Retroactive to February 15, 2020 to help bring workers already laid off back onto payrolls
- No SBA fees
- At least six months of deferral with maximum deferrals of up to a year

ELIGIBILITY

- A small business with fewer than 500 employees
- A small business that otherwise meets the SBA's size standard
- A 501(c)(3) with fewer than 500 employees
- An individual who operates as a sole proprietor
- An individual who operates as an independent contractor
- An individual who is self-employed who regularly carries on any trade or business
- A Tribal business concern that meets the SBA size standard
- A 501(c)(19) Veterans Organization that meets the SBA size standard.

Additional Special Rules for Eligibility:

- If you are in the accommodation and food services sector (NAICS 72), the 500-employee rule is applied on a per physical location basis
- If you are operating as a franchise or receive financial assistance from an approved Small Business Investment Company the normal affiliation rules do not apply.

NOTE: 500-employee threshold includes full-time, part-time, and any other status.

LOAN TERMS, INTEREST, FEES

- Maximum term is 10 years
- Maximum interest rate is 4%
- Maximum loan size is \$10 million
- Zero loan fees
- Zero prepayment fee
- Payments deferred for first six months for loans not forgiven (interest will accrue)

APPLYING TO PPP LOAN

When to Apply:

- For businesses with employees & sole proprietors: **Beginning April 3. Deadline June 30, 2020.**
- For self-employed individuals & independent contractors: **Beginning April 10. Deadline June 30, 2020.**

Where to Apply:

Visit the Treasury Department for the application at <https://home.treasury.gov/>.

Loans will be made by SBA-approved lenders that participate in the SBA's 7(a) program. You can find local SBA-approved lenders through your local SBA district office, visit: <https://www.sba.gov/>.

PPP LOANS FREQUENTLY ASKED QUESTIONS

1. How can I qualify for a PPP loan?

Lenders will ask you to certify that:

- You will use the loan to retain workers and maintain payroll or make mortgage, lease, and utility payments
- You do not have a pending loan application that would be used for the same purposes, or that you don't receive a duplicative loan from Feb. 15, 2020 through Dec. 31, 2020
- The current economic uncertainty makes the loan necessary to sustain operations and pay employees

SBA is waiving some requirements typical for 7(a) loans:

- No personal guarantee or collateral will be required.
- You will not need to certify that you tried and failed to obtain capital elsewhere.

2. How much can I borrow?

There are a few different calculations, depending on how long you've had your business, whether your business is seasonal and a couple of other factors. The maximum loan size regardless is \$10 million. The amount is tied to your payroll costs, which are defined in the following:

- **If you were in business February 15, 2019-June 30, 2019:** Your maximum loan is equal to 250 percent of your average monthly payroll costs during that time period. For instance, if your average monthly payroll costs from Feb. 15-June 30, 2019 was \$100,000, your maximum loan amount is \$250,000. If your business employs seasonal workers: You can choose March 1, 2019 as your time period start date.
- **If you were NOT in business between February 15, 2019-June 30, 2019:** Your max loan is equal to 250 percent of your average monthly payroll costs between January 1, 2020 and February 29, 2020.
- **If you took out an Economic Injury Disaster Loan (EIDL) between February 15, 2020 and June 30, 2020** and you want to refinance that loan into a PPP loan: You will add the outstanding loan amount to the payroll sum.
- **For self-employed individuals and contractors:** The sum of payments of any compensation to or income of a sole proprietor or independent contractor that is a wage, commission, income, net earnings from self-employment, or similar compensation, and that is in an amount that is not more than \$100,000 in one year, as pro-rated for the covered period.

3. What payroll costs are factored into determining the loan amount?

- Compensation (salary, wage, commission, or similar compensation, payment of cash tip or equivalent)
- Payment for vacation, parental, family, medical, or sick leave
- Allowance for dismissal or separation
- Payment for group health care benefits, including insurance premiums
- Payment for any retirement benefit
- Payment of state or local tax assessed on employees' compensation

4. What payroll costs are excluded from determining the loan amount?

- Employee/owner compensation over \$100,000 (compensation up to \$100,000 will be included in the calculation for high-income earners)
- Taxes imposed or withheld under chapters 21, 22, and 24 of the IRS code
- Compensation of employees whose principal place of residence is outside of the U.S.
- Qualified sick and family leave for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act

5. What can I use the loan for?

- Approved payroll costs (as described above)
- Costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums
- Employee salaries, commissions, or similar compensations (see exclusions above)
- Payments of interest on any mortgage obligation (not including any prepayment of or payment of principal on a mortgage obligation)
- Rent (including rent under a lease agreement)
- Utilities

6. How much of the loan can be forgiven?

You will owe money when your loan is due if you use the loan amount for anything other than payroll costs, mortgage interest, rent, and utilities payments over the 8 weeks after getting the loan. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs. You will also owe money if you do not maintain your staff and payroll.

- **Number of Staff:** Your loan forgiveness will be reduced if you decrease your full-time employee headcount.
- **Level of Payroll:** Your loan forgiveness will also be reduced if you decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019.
- **Re-Hiring:** You have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.

7. What do I need to apply?

You will need to complete the Paycheck Protection Program loan application and submit the application with the required documentation to an approved lender that is available to process your application by June 30, 2020. Visit the Treasury Department for the application.

8. What if I am self-employed or an independent contractor?

You will need to submit documents to prove your income, including payroll tax filings, 1099 forms, and income and expenses. Full guidance will be coming from the SBA/Treasury Department.

9. Can I apply for an Economic Injury Disaster Loan and a Payroll Protection Program loan?

Yes, you can apply to both programs. If you accept an EIDL, you can still receive assistance from the Payroll Protection Program. However, you cannot use your PPP loan for the same purpose as your other SBA loan(s). For example, if you use your PPP to cover payroll for the 8-week covered period, you cannot use a different SBA loan product for payroll for those same costs in that period, although you could use it for payroll not during that period or for different workers. You can also refinance your EIDL loan into your PPP loan.

SMALL BUSINESS DEBT RELIEF PROGRAM

This program will provide immediate relief to small businesses with non-disaster Small Business Administration (SBA) loans, in particular 7(a), 504, and microloans.

FEATURES OF SMALL BUSINESS DEBT RELIEF PROGRAM

Businesses that have the following non-disaster SBA loans:

- Covers all loan payments on SBA loans, including principle, interest, and fees, for six months
- Available also to new borrowers who take out loans within six months of the CARES Act being enacted

ELIGIBILITY

Businesses that have the following non-disaster SBA loans:

- 7(a) loans not made under the Paycheck Protection Program (PPP)
- 504 loans
- Microloans

APPLYING TO SMALL DEBT RELIEF PROGRAM

Debt relief is automatic for small businesses with non-disaster SBA loans, but make sure to check with your lender to make sure. Check with your bank or lender to see if they offer these loans or contact SBA to find one.

SMALL DEBT RELIEF PROGRAM FREQUENTLY ASKED QUESTIONS

1. How do I know if I'm eligible for a 7(a), 504, or microloan, as outlined under the Small Business Debt Relief Program?

In general businesses must the following to be eligible for these loans:

- Meet SBA size standards
- Be based in the U.S.
- Be able to repay loans
- Have a sound business purpose

Each program has different requirements, so please visit: <https://www.sba.gov/funding-programs/loans>

2. What is a 7(a) loan and how do I apply?

7(a) loans are an affordable loan product of up to \$5 million for borrowers who lack credit elsewhere and need access to versatile financing, providing short-term or long-term working capital and to purchase an existing business, refinance current business debt, or purchase furniture, fixtures and supplies. You can apply for a 7(a) loan with a bank or a mission-based lender. SBA also has a free referral service tool to help find a lender near you at: sba.gov/lendermatch.

3. What is a 504 loan and how do I apply?

The 504 Loan Program provides loans of up to \$5.5 million to approved small businesses with long-term, fixed-rate financing used to acquire fixed assets for expansion or modernization, such as to purchase real estate, buildings, or machinery. You can apply through a Certified Development Company, a nonprofit corporation that promotes economic development or you can find a lender at: sba.gov/lendermatch.

4. What is a microloan and how do I apply?

The Microloan Program provides loans up to \$50,000 to help small businesses and certain not-for-profit childcare centers to start up and expand. The average microloan is about \$13,000. Loans are delivered through mission-based lenders who are also able to provide business counseling or you can find a lender at: sba.gov/lendermatch.

ECONOMIC INJURY DISASTER LOANS & EMERGENCY ECONOMIC INJURY

The CARES Act includes \$10 billion in funding to provide advance emergency grants of \$10,000 to small businesses and nonprofits that also apply for a SBA Economic Injury Disaster Loan (EIDL). To access advance emergency grants, you must first apply for an EIDL and then request the advance.

FEATURES OF EIDL AND EMERGENCY ECONOMIC INJURY GRANT PROGRAMS

- EIDLs have lower interest loans of up to \$2million, with principal and interest deferment available for up to 4 years
- Emergency Economic Injury Grants will be provided within three days of applying for the loan
- Advance for Emergency Economic Injury Grants do not need to be repaid under any circumstance
- Funds can be used to keep employees on payroll, to pay for sick leave, meet increased production costs due to supply chain disruptions, or pay business obligations, including debts, rent and mortgage payments

ELIGIBILITY

FOR EIDL:

Businesses with 500 or fewer employees:

- Small business concerns (including sole proprietorship, with or without employees)
- Independent contractors
- Cooperatives and employee owned businesses
- Private non-profits
- Tribal small businesses

FOR EMERGENCY ECONOMIC INJURY GRANT:

Those eligible for an EIDL and who have been in operation since January 31, 2020

APPLYING TO EIDL PROGRAM

To apply for an EIDL online, please visit: <https://disasterloan.sba.gov/ela/>. You can also find your nearest Small Business Development Center (SBDC), Women's Business Center, or SCORE mentorship chapter for assistance at: <https://www.sba.gov/local-assistance/find/>.

EIDL AND EMERGENCY ECONOMIC INJURY PROGRAM FREQUENTLY ASKED QUESTIONS

1. How long are Emergency Economic Injury Grants available?

The Emergency Economic Injury grants are available January 31, 2020-December 31, 2020. The grants are backdated to January 31, 2020 to allow those who are already applied for EIDLs to be eligible to also receive a grant.

2. If I get an EIDL and/or an Emergency Economic Injury Grant, can I get a PPP loan?

Whether you've already received an EIDL unrelated to COVID-19 or you receive a COVID-19 related EIDL and/or Emergency Grant between January 31, 2020 and June 30, 2020, you may also apply for a PPP loan. If you ultimately receive a PPP loan or refinance an EIDL into a PPP loan, any advance amount under the Emergency Economic Injury Grant Program would be subtracted from the amount forgiven in the PPP.

COUNSELING AND TRAINING

Small Business Development Center (SBDC), Women's Business Center (WBC), or SCORE mentorship chapter will receive additional funds to expand their reach and better support small business owners with counseling and up-to-date information regarding COVID-19. To find a local resource partner, visit: <https://www.sba.gov/local-assistance/find/>. In addition, the Minority Business Development Agency's Business Centers (MBDCs), which cater to minority business enterprises of all sizes, will also receive funding to hire staff and provide programming to help their clients respond to COVID-19. To find out if there is an MBDC that services your area, visit: <https://www.mbda.gov/>

FEATURES

- Available to all new and existing businesses
- Free counseling and low-cost training. Mentorship through SCORE is always free.

FREQUENTLY ASKED QUESTIONS

1. What is a SBDC?

SBDCs are a national network of nearly 1,000 centers that are located at leading universities, colleges, state economic development agencies and private partners. They provide counselling and training to new and existing businesses. Each state has a lead center that coordinates services specifically for that state. To find out more about SBDCs, you can visit: <https://americasbdc.org/about-us/>.

2. What is a WBC; is it only for women?

WBCs are a national network of more than 100 centers that offer one-on-one counseling, training, networking, workshops, technical assistance and mentoring to entrepreneurs on numerous business development topics for women. WBCs are mandated to serve the needs of underserved entrepreneurs, including low-income entrepreneurs. They often offer flexible hours to meet the needs of their diverse clientele. To find out more about WBCs, visit: <https://www.awbc.org/>.

3. What is SCORE?

SCORE provides free, confidential business advice through our volunteer network of 10,000+ business experts, including online mentoring.

CONTRACTING

Congress has included additional relief and protection for federal government contractors. Agencies will be able to modify terms and conditions to a contract and to reimburse contractors. For assistance, reach out to your local Small Business Development Center, Women's Business Center, SCORE chapter, or SBA District Office

FEATURES

- Modified terms and conditions of a contract to contractors whose employees or subcontractors cannot perform work on site and cannot telework due to federal facilities closing because of COVID-19
- Reimburse to contractors at a billing rate of up to 40 hours per week of any paid leave, including sick leave

SMALL BUSINESS TAX PROVISIONS

The CARES Act includes small business tax provisions in the form of employee retention credit for employers subject to closure or experiencing economic hardship, and deferrals of paying the employer portion of certain payroll taxes.

EMPLOYEE RETENTION CREDIT

This provision provides a refundable payroll tax credit for 50% of wages paid by eligible employers to certain employees during the COVID-19 crisis. Credit is provided for wages and compensation, including health benefits, and is provided for the first \$10,000 in wages and compensation paid by the employer to an eligible employee.

ELIGIBILITY

- Employers, including non-profits, whose operations have been fully or partially suspended as a result of a government order limiting commerce, travel or group meetings.
- Employers who have experienced a greater than 50% reduction in quarterly receipts, measured on a year-over-year basis.
- Wages of employees who are furloughed or face reduced hours as a result of employer's closure or economic hardship. Wages do not include those taken into account for purposes of the payroll credits for required paid sick leave or required paid family leave, nor wages taken into account for the employer credit for paid family and medical leave (IRC sec. 45S).

DELAY OF PAYMENT OF EMPLOYER PAYROLL TAXES

This provision allows taxpayers to defer paying the employer portion of certain payroll taxes through the end of 2020. Payroll taxes that can be deferred include the employer portion of FICA taxes, the employer and employee representative portion of Railroad Retirement taxes (that are attributable to the employer FICA rate), and half of SECA tax liability.

HOW IT WORKS:

All 2020 deferred amounts will be due in two equal installments: One at the end of 2021, and the other at the end of 2022.
Payroll taxes

NOT ELIGIBLE FOR TAX PROVISIONS

- Employee Retention Credit and Delay of Payment/Deferrals are not provided to employers receiving assistance through the Paycheck Protection Program.