

COVID-19 LEGISLATIVE PACKAGES – SMALL BUSINESS RELIEF

BACKGROUND

As the COVID-19 pandemic has heavily impacted the U.S. economy, Congress has sought to intervene through the passage several legislative packages striving to minimize the overall impact to workers, businesses and the economy. Through these packages, two small business support programs were created both of which are detailed below.

The first program was created through the passage of the first COVID relief package, the Coronavirus Preparedness and Response Supplemental Appropriations Act. That bill created a \$1 billion fund to immediately assist small businesses hit hard by the current economic shutdown. Unlike traditional Small Business Administration (SBA) funding mechanisms, this program is being administered directly by the SBA and is live and accepting applications currently (see more below).

The second program was created when the U.S. Senate unanimously passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020. This historic \$2 trillion economic stimulus package, including \$349 million in federal funds appropriated specifically to support small business, outlines two loan programs intended to assist those impacted economically by this global pandemic.

Small Business Administration Loan Program Note: Small businesses may apply to both programs but cannot participate in or accept funds from both programs. It is up to businesses to determine which program best fits the needs business before enrolling.

COVID-I: THE CORONAVIRUS PREPAREDNESS AND RESPONSE SUPPLEMENTAL APPROPRIATIONS ACT

The first COVID-19 relief bill gave designated states and territories the ability to offer low-interest federal disaster loans for small businesses suffering substantial economic injury as a result of the coronavirus (COVID-19). Upon a request received from a state’s or territory’s governor, SBA will issue under its own authority, an Economic Injury Disaster Loan declaration.

COVID-I: THE CORONAVIRUS PREPAREDNESS AND RESPONSE SUPPLEMENTAL APPROPRIATIONS ACT			
ELIGIBILITY	WHAT IT DOES	LOAN FORGIVENESS	PARTICIPATION
Any such Economic Injury Disaster Loan assistance declaration issued by the SBA makes loans available statewide to small businesses and private, non-profit organizations to help alleviate economic injury caused by the coronavirus. This will apply to	SBA’s Office of Disaster Assistance will coordinate with the state’s or territory’s governor to submit the request for Economic Injury Disaster Loan assistance.	These loans are not forgivable and must be repaid based on the borrower’s loan terms.	To apply for these loans, click here - https://disasterloan.sba.gov/ .

<p>current and future disaster assistance declarations related to coronavirus.</p>			
	<p>Once a declaration is made, the information on the application process for Economic Injury Disaster Loan assistance will be made available to affected small businesses within the state.</p>		<p>For questions, please contact the SBA disaster assistance customer service center at 1-800-659-2955 (TTY: 1-800-877-8339) or e-mail disastercustomerservice@sba.gov.</p>
	<p>SBA's Economic Injury Disaster Loans offer up to \$2 million in assistance and can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing.</p>		
	<p>These loans may be used to pay fixed debts, payroll, accounts payable and other bills that can't be paid because of the disaster's impact. The interest rate is 3.75% for small businesses. The interest rate for non-profits is 2.75%.</p>		

COVID-III: THE CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY (CARES) ACT

The third COVID-19 relief package includes a new SBA loan program as well as an expansion upon an existing grant program intended to help small businesses in times of economic distress. The Paycheck Protection Program is a new loan program intended to incentivize businesses to keep their employees on payroll throughout the early and subsequent months of COVID-19. The bill also builds upon the Economic Injury Disaster Loan (EIDL) program by offering eligible businesses a one-time grant of \$10,000 to cover short-term costs. These programs will be administered more like traditional SBA programs, i.e. through third party, 7(a) lenders.

COVID-III: THE CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY (CARES) ACT			
THE PAYCHECK PROTECTION PROGRAM AND LOAN FORGIVENESS			
ELIGIBILITY	WHAT IT DOES	LOAN FORGIVENESS	PARTICIPATION
You were in business and employed fewer than the greater of 500 people or the SBA size standards in number of employees for your industry on February 15, 2020.	Allows you to apply for a 100% government backed, low interest SBA 7(a) loan up to \$10 million. The loan amount will equal 250% of your average monthly payroll costs.	Allows the loan to be forgiven in an amount equal to what you spent on payroll, rent and mortgage interest (on leases and mortgages in effect on February 15, 2020).	Contact one of SBA’s preferred lenders - https://www.sba.gov/partners/lenders/microloan-program/list-lenders .
You are a small business, nonprofit, veterans’ organization, tribal business, or are self-employed, an independent contractor or sole proprietor.	The period covered for the debt forgiveness is from February 15, 2020 until June 30, 2020.	Reduces the loan amount forgiven proportionately to the reduction in number of employees retained compared to last year and reduced by the reduction in pay of any employee greater than 25% compared to last year.	
	The 100% government backed loans and fee waivers will be authorized through December 31, 2020.	To encourage you to rehire your laid-off employees, you will not be penalized for having a reduced payroll at the beginning of the period.	

	Allows you to use the loan to cover payroll costs, including salaries, paid sick and medical leave, insurance premiums, mortgage, rent and utility payments.	Ensures that the loan forgiveness amount will not count as taxable income.	
	Delegates authority to all current 7(a) lenders to determine your eligibility.	Reduces the amount of loan forgiveness under the Paycheck Protection Program by the amount of your EIDL grant.	
	Prevents you from accessing both this and an SBA disaster relief loan for the same purpose.		

ECONOMIC INJURY DISASTER LOAN (EIDL) PROGRAM

ELIGIBILITY	WHAT IT DOES	LOAN FORGIVENESS	PARTICIPATION
You were in business and employed fewer than the greater of 500 people or the SBA size standards in number of employees for your industry on February 15, 2020.	Allows any organization that applied for an EIDL loan due to COVID-19 to request an advance up to \$10,000, which SBA must distribute within three days.	Reduces the amount of loan forgiveness under the Paycheck Protection Program (above) by the amount of your EIDL grant.	To apply for EIDL loans, click here - https://disasterloan.sba.gov/ .
You are a small business, nonprofit, veterans' organization, tribal business, or are self-employed or a sole proprietor.	Requires that you will not have to repay the advance, even if you are subsequently denied for an EIDL loan.		For questions, please contact the SBA disaster assistance customer service center at 1 800-659-2955 (TTY: 1-800-877-8339) or e-mail disastercustomerservice@sba.gov .
	Requires SBA to verify that you are an eligible applicant, which will take the form of an affidavit you sign under penalty of perjury.		
	Requires the grant to be used to cover paid sick leave, payroll, rent		

	and mortgage payments, and other repayment obligations you cannot meet due to revenue losses.		
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Disclaimer: The above is meant to serve as an educational summary of congressional legislation passed in March 2020. This information does not constitute or substitute legal or financial advice. Interested parties should continue to consult their legal and financial professionals.

More information can also be found at www.sba.gov.