

Q&A: SMALL BUSINESSES

What support is there for small businesses?

Refundable tax credits are available for private-sector employers that are required to offer coronavirus related paid leave to employees. IRS will be posting information soon on these credits on its website (www.irs.gov), including information on how to obtain advance payment of these credits.

The employer side of certain payroll taxes are deferred through the end of 2020. Deferred taxes will not become due until end of 2021 and end of 2022, with 50% of the liability being paid at each date. Any business that does not have a loan forgiven under the new SBA Paycheck Protection Program is eligible for the payroll tax deferral.

An employee retention tax credit is available for struggling businesses that are not eligible or choose not to participate in the new SBA Paycheck Protection Program. Any business that has been forced to fully or partially suspend operations, or that has seen a significant drop in revenues is eligible for a 50-percent credit for wages paid to furloughed or reduced-hour employees. For businesses with 100 employees or less, the credit is based on all wages paid, regardless of whether an employee is furloughed. There is an overall limit on wages per employee of \$10,000. The credit can be claimed against the business's quarterly payroll tax liability and is fully refundable to the extent of excess. There will also be options to receive advance payments. Small business owners should look out for information at IRS.gov and talk to their payroll service provider, as applicable.

\$350 billion is made available for a new Small Business Administration Paycheck Protection Program (PPP). The program would provide cash-flow assistance through 100 percent federally guaranteed loans to employers who maintain their payroll during this emergency. If employers maintain their payroll, the loans would be forgiven, which would help workers remain employed, as well as help affected small businesses and our economy to snap-back quicker after the crisis. PPP has a host of attractive features, such as forgiveness of up to 8 weeks of payroll based on employee retention and salary levels, no **SBA** fees and at least six months of deferral with maximum deferrals of up to a year. Small businesses and other eligible entities will be able to apply if they were harmed by COVID-19 between February 15, 2020 and June 30, 2020. This program is would be retroactive to February 15, 2020, in order to help bring workers who may have already been laid off back onto payrolls. **Loans are available through June 30, 2020.**

\$17 billion is available for 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. This relief will also be available to new borrowers who take out loans within six months of the President signing the bill into law.

The *CARES Act* creates a new SBA Economic Injury Emergency Grant Program. These grants provide an emergency advance of up to \$10,000 to small businesses and private

non-profits harmed by COVID-19 within three days of applying for an SBA Economic Injury Disaster Loan (EIDL). To access the advance, you must first apply for an EIDL and then request the advance. The advance does not need to be repaid under any circumstance, and may 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.

What type of assistance will independent contractors be eligible for?

Refundable tax credits are available for independent contractors who would have qualified for coronavirus related paid leave if they were employees. IRS will be posting information soon on these credits on its website (www.irs.gov), including information on how to claim these credits.

50 percent of certain self-employment taxes are deferred through the end of 2020. Deferred taxes will not become due until end of 2021 and end of 2022, with 50% of the liability being paid at each date.

Independent contractors are also eligible for assistance through the Small Business Administration's new Paycheck Protection Program and Economic Injury Emergency Grant Program.

What assistance is there for nonprofits?

The employer side of certain payroll taxes are deferred through the end of 2020. Deferred taxes will not become due until end of 2021 and end of 2022, with 50% of the liability being paid at each date. Any business that does not have a loan forgiven under the new SBA Paycheck Protection Program is eligible for the payroll tax deferral.

Certain tax-exempt organizations that have been forced to fully or partially suspend operations, or that have seen a significant drop in revenues are eligible for a 50-percent credit for wages paid to furloughed or reduced-hour employees. Organizations that participate in the SBA Paycheck Protection Loan Program are not eligible for the credit. For organizations with 100 employees or less, the credit is based on all wages paid, regardless of whether an employee is furloughed. There is an overall limit on wages per employee of \$10,000. The credit can be claimed against the organization's quarterly payroll tax liability and is fully refundable to the extent of excess. There will also be options to receive advance payments.

501(c)(3) nonprofit organizations, along with small businesses, 501(c)(19) veterans organizations, and tribal businesses, are eligible to apply for the Small Business Administration's Paycheck Protection Program. Through this program, a nonprofit organization can apply to an SBA-approved lender for a loan of up to 250% of your average monthly payroll costs to cover eight weeks of payroll as well as help with other expenses like rent, mortgage payments, and utilities. The maximum loan amount is \$10 million. This loan can be forgiven based on maintaining employee and salary levels. For any portion of the loan that is not forgiven, the terms include a maximum term of 10

years, a maximum interest rate of 4 percent. Nonprofit organizations will be able to apply if they were harmed by COVID-19 between February 15, 2020 and June 30, 2020. To be eligible, nonprofit organizations must have fewer than 500 employees, or more if SBA's size standards for the non-profit allows, and comply with the SBA's affiliation rules for nonprofits. This program is retroactive to February 15, 2020, in order to help bring workers who may have already been laid off back onto payrolls. Loans are available through June 30, 2020.

A provision in the CARES package would authorize a program to allow any mid-sized nonprofit between 500 and 10,000 employees to get access to quick, low cost, government guaranteed credit through their local lender or financial institution. These organizations need cash now and so this program is set up to get money quickly in the hands of those who need it in order to preserve workforce during the COVID-19 health emergency.

The Treasury Department and Federal Reserve will have a degree of flexibility in designing the new program, but the expectation is for loan terms to last for no more than five years and to cover up to 100% of payroll over the previous 180 days, or 50% of revenues for the past year, for eligible organizations. Underwriting requirements should be kept simple, based on employer size, creditworthiness as of January 2020, and the ability to produce recent tax returns or audited financial statements. The legislation prescribes that the loans must carry an interest rate of no greater than 2% and to provide forbearance on principal and interest for at least the first 6 months. Borrowers will also be required to protect workers. Any loan recipient will have to attest that they'll use the money to keep workers employed – at least to 90% of their payroll – and keep workers paid at close to full compensation and benefits. Borrowers will also commit to rehiring their workforce back to preexisting levels upon the end of the COVID-19 health emergency.

The most efficient way to deliver fast credit to eligible organizations is through existing relationships with local lenders. Under the program, any qualified organization should be able to receive financing at a local bank, credit union, CDFI, or qualified nonbank lender.

What types of businesses and entities are eligible for a PPP loan?

- Businesses and entities must have been in operation on February 15, 2020.
- Small business concerns, as well as any business concern, a 501(c)(3) nonprofit organization, a 501(c)(19) veterans organization, or Tribal business concern described in section 31(b)(2)(C) that has fewer than 500 employees, or the applicable [size standard](#) in number of employees for the North American Industry Classification System (NAICS) industry as provided by SBA, if higher.
- Individuals who operate a sole proprietorship or as an independent contractor and eligible self-employed individuals.

- Any business concern that employs not more than 500 employees per physical location of the business concern and that is assigned a North American Industry Classification System code beginning with 72, for which the affiliation rules are waived.
- Affiliation rules are also waived for any business concern operating as a franchise that is assigned a franchise identifier code by the Administration, and company that receives funding through a Small Business Investment Company

What are SBA affiliation rules?

Affiliation rules become important when SBA is deciding whether a business's affiliations preclude them from being considered "small." Generally, affiliation exists when one business controls or has the power to control another or when a third party (or parties) controls or has the power to control both businesses. Please see [this resource](#) for more on these rules and how they can impact your business's eligibility.

What types of non-profits are eligible for the SBA PPP assistance?

In general, 501(c)(3) and 501(c)(19) non-profits with 500 employees or fewer as most non-profit SBA size standards are based on employee count, not revenue. You can check [here](#).

How is the PPP loan size determined?

Depending on your business's situation, the loan size will be calculated in different ways (see below). The maximum loan size is always \$10 million.

- If you were in business February 15, 2019 – June 30, 2019: Your max loan is equal to 250 percent of your average monthly payroll costs during that time period. If your business employs seasonal workers, you can opt to 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 would add the outstanding loan amount to the payroll sum.

What costs are eligible for payroll under the PPP?

- 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 required for the provisions of group health care benefits, including insurance premiums
- Payment of any retirement benefit
- Payment of State or local tax assessed on the compensation of employees

What costs are not eligible for payroll under the PPP?

- Employee/owner compensation over \$100,000
- 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*](#)

What are allowable uses of loan proceeds with a PPP loan?

- Payroll costs (as noted 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 (which shall not include any prepayment of or payment of principal on a mortgage obligation)
- Rent (including rent under a lease agreement)
- Utilities
- Interest on any other debt obligations that were incurred before the covered period

What are the loan term, interest rate, and fees for a PPP loan?

For any amounts not forgiven, the maximum term is 10 years, the maximum interest rate is 4 percent, zero loan fees, zero prepayment fee (SBA will establish application fees caps for lenders that charge).

How is the forgiveness amount calculated under PPP?

Forgiveness on a covered loan is equal to the sum of the following payroll costs incurred during the covered 8 week period compared to the previous year or time period, proportionate to maintaining employees and wages (excluding compensation over \$100,000):

Payroll costs **plus** any payment of interest on any covered mortgage obligation (not including any prepayment or payment of principal on a covered mortgage obligation) **plus** any payment on any covered rent obligation **plus** and any covered utility payment.

How do I get forgiveness on my PPP loan?

You must apply through your lender for forgiveness on your loan. In this application, you must include:

- Documentation verifying the number of employees on payroll and pay rates, including IRS payroll tax filings and State income, payroll and unemployment insurance filings
- Documentation verifying payments on covered mortgage obligations, lease obligations, and utilities.
- Certification from a representative of your business or organization that is authorized to certify that the documentation provided is true and that the amount that is being forgiven was used in accordance with the program's guidelines for use.

What happens after the forgiveness period for a PPP loan?

Any loan amounts not forgiven is carried forward as an ongoing loan with max terms of 10 years, at 4% max interest. Principal and interest will continue to be deferred, for a total of 6 months to a year after disbursement of the loan. The clock does not start again.

Can I get more than one PPP loan?

No, an entity is limited to one PPP loan. Each loan will be registered under a Taxpayer Identification Number at SBA to prevent multiple loans to the same entity.

What kind of lender can I get a PPP loan from?

All current SBA 7(a) lenders are eligible lenders for PPP. The Department of Treasury will also be in charge of authorizing new lenders, including non-bank lenders, to help meet the needs of small business owners.

How does the PPP loan coordinate with SBA's existing loans?

Borrowers may apply for PPP loans and other SBA financial assistance, including Economic Injury Disaster Loans (EIDLs), 7(a) loans, 504 loans, and microloans, and also receive investment capital from [Small Business Investment Corporations](#) (SBICs).

How does the PPP loan work with the temporary Emergency Economic Injury Grants and the Small Business Debt Relief program?

Emergency Economic Injury Grant recipients and those who receive loan payment relief through the Small Business Debt Relief Program may apply for and take out a PPP loan. Refer to those sections for more information.