COVID-19 Stimulus Bill for Small Businesses

- **Small Business Administration (SBA)**
  - $349 million for loan guarantees
  - $17 billion for loan subsidies
  - $100 billion for secondary market guarantees

- **Tax Credits for Businesses**
  - 50% refundable payroll tax credit during COVID-19 for businesses that are fully or partially shut down or have 50% decrease in receipts versus the same quarter in the previous year and continue to pay employees
  - Less than 100 employees: regardless of shut down status
  - Covers up to $10,000 per employee including benefits for 3/13/20-12/31/20
  - Payroll tax deferred. Payments to be spread over 2 years
  - Net operating losses arising in fiscal years 2018, 2019, and 2020 can be carried back 5 years
  - Allowable deductible interest expenses are increased from 30% to 50% for 2019 and 2020

- **Paycheck Protection Program (Forgivable Loan)**
  - Help small businesses, 501(c)3, sole proprietorships, veterans, independent contractors, and self employed
  - Limited to under 500 employees or
  - Small Business Administration standard size employee table which can be found here: https://www.sba.gov/sites/default/files/2019-08/SBA%20Table%20of%20Size%20Standards_Effective%20Aug%202019%20C%20019_Rev.pdf
  - Includes independent contractors, sole proprietors, and self-employed
  - Entities must have been in operational by 2/15/20, had payroll, and paid taxes
  - Covered loan period is 2/25/20 through 6/30/20
  - No collateral or personal guarantees required
  - Funding comes through banks, but is guaranteed by SBA
  - Maximum loan amount is the lesser of:
    - Average monthly payments for payrolls costs during the 1-year period before 2/15/20 multiplied by 2.5
    - $10 million
    - Payroll includes wages, salary, commission, tips, vacation, leave, group healthcare benefits (including premiums) and state or local tax on employee compensation. Does not include FICA or withholding. Capped at $100,000 per person or $8,333 monthly.
  - Allowable uses of Covered Loans
- Payroll
- Health Benefits
- Employee salaries, commissions, etc.
- Mortgage payments
- Rent
- Utilities
  - Interest on any other debt obligations incurred before the covered period
  - No collateral and personal guarantee from borrower required
  - No certification from borrower that is unable to obtain credit elsewhere
  - Sense of the Senate: Small business concerns and entities in underserved and rural markets including veterans, are considered a priority

- **Section 1106: Loan Forgiveness Requirements**
  - The borrower shall be eligible for a loan forgiveness equal to the amount spent during 8-week period after the origination date (money accepted) on:
    - Payroll costs (They do not need to be working, only receiving payroll i.e. business is shut down)
    - Interest payment on mortgage incurred prior to 2/15/20
    - Payment of rent on any lease in force prior to 2/15/20
    - Payment on any utility for which service began before 2/15/20
  - ESTABLISH A SEPARATE BANK ACCOUNT FOR THESE DOLLARS.
    - Co-mingling may cause confusion
    - Want to prove this is forgivable
    - Proves money was only spent on 4 things
      - Payroll costs
      - Interest payments on covered mortgages
      - Covered rent
      - Covered utility payments
  - Amounts considered forgiven are excluded from gross income by the IRS
  - Once loan forgiveness amount is determined, it is subject to two additional tests-
    - any full-time equivalent employees cuts or reductions in wages.
      - Average number of full-time employees per month employed from 2/15/19-6/30/19
      - Reduction in wages during the 8-week period cannot be more than 25% to remain eligible for forgiveness
  - Purpose is to rehire displaced employees by June 30, 2020

- **Documents needed to apply for forgiveness:**
  - State income filings
  - Documentation of covered costs (easier if you have separate bank account)
  - Certification from a business representative that the documentation is correct
• APPLICATION PROCESS IS EXPECTED TO BEGIN NEXT WEEK
• Contact your bank now to get in line and ask for information/application when it becomes available
• If entire Loan is not forgiven, the unforgiven part is to be paid back over no more than 10 years
  o Payments will be deferred for 6-12 months with a maximum interest rate of 4%
  o Existing Section 7(a) loan existing before 2/15/20 will have 6 months of payment made by the government