



Phase 1 Federal Relief

CARES Act

The Coronavirus Aid, Relief, and Economic Security (CARES) Act includes programs to assist small- and medium-sized businesses with urgent needs resulting from the COVID-19 crisis. Programs include:

1. [Paycheck Protection Program](#)

This program provides assistance through federally guaranteed loans to help employers cover their employees' incomes during the crisis. If employers maintain their payroll, the loans would be forgiven. The program would be retroactive to February 15, 2020, in order to bring workers back onto payrolls if they had already been laid off. Loans are available through June 30, 2020.

Businesses and other entities will be able to apply if they were harmed by COVID-19 between Feb 15, 2020, and June 30, 2020. Applying entities must have been in operation on February 15, 2020. Emergency Economic Injury Grant and Economic Injury Disaster Loan (EIDL) recipients and those who receive loan payment relief through the Small Business Debt Relief Program may apply for and take out a Paycheck Protection Program (PPP) loan as long as there is no duplication in the uses of funds.

Where to apply:

All current Small Business Administration (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.

Eligible entities:

- 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
- Volunteers do not count for the purposes of determining the number of employees
- Sole proprietorships or independent contractors and eligible self-employed individuals
- Any business with fewer than 500 employees per location that is assigned an NAICS code beginning with 72, for which 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 for any company that receives funding through a Small Business Investment Company

Loan size:

The maximum loan size is **\$10 million**.

- **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. 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 February 15, 2019–June 30, 2019:** Your maximum loan is equal to 250 percent of your average monthly payroll costs between Jan 1, 2020, and Feb 29, 2020.
- **If you took out an Economic Injury Disaster Loan 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.

Eligible uses of loan proceeds:

- Payroll costs:
 - Compensation (salaries, wages, commissions, 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 premia
 - Payment of retirements benefits
 - Payment of state or local tax assessed on the compensation of employees
- Costs related to the continuation of group health-care benefits during periods of paid sick, medical, or family leave, and insurance premia
- Employee salaries, commissions, or similar compensations (as noted above; see exclusions below)
- Payment 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

Ineligible costs:

- Employer/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 US
- Qualified sick and family leave for which a credit is allowed under sections 7001 and 7003 of the *Families First Coronavirus Response Act*

Loan forgiveness:

Borrowers will have their loans forgiven if they use the loan proceeds for the designated expenses. Borrowers must apply through their lenders for loan forgiveness. The application must include verification of:

- the number of employees on payroll and pay rates;
- payments on covered mortgage obligations, lease obligations, and utilities; and
- certification that the documentation provided is true and that the amount being forgiven was used in accordance with the program's guidelines for use.

For amounts not forgiven:

Any loan amounts not forgiven are carried forward as an ongoing loan. Principal and interest will continue to be deferred for a total of 6-12 months after disbursement of the loan. For any amounts not forgiven, loan terms will be:

- Maximum term: 10 years
- Maximum interest rate: 4 percent
- Zero loan fees
- Zero prepayment fees

2. [Emergency Economic Injury Grants and Economic Injury Disaster Loans](#)

Emergency Economic Injury Grants provide an emergency advance of up to \$10,000 to entities that have been harmed by COVID-19 and are applying for an SBA Economic Injury Disaster Loan. Eligible small businesses and private nonprofits first apply for an EIDL and then request the advance.

The grants will be available until **December 31, 2020**. The grants are backdated to January 31, 2020, to allow those who had already applied for an EIDL to be eligible to apply for a grant. **The advance does not need to be repaid under any circumstances.** It can be used to keep employees on payroll, pay for sick leave, meet increased production costs, or pay business obligations such as debt, rent, or mortgage payments.

Economic Injury Disaster Loans are lower interest loans of up to \$2 million, with principal and interest deferment at the Administrator's discretion, that are available to pay for expenses that could have been met had the disaster not occurred, including payroll and other operating expenses.

Eligibility:

The following entities, with 500 or fewer employees:

- Sole proprietorships, with or without employees
- Independent contractors
- Cooperatives and employee-owned businesses
- Tribal small businesses

To be eligible for the grant, an entity must be eligible for an Economic Injury Disaster Loan *and* have been in operation since January 31, 2020, when the public health crisis was announced. Small business concerns and small agricultural cooperatives that meet the applicable size standard for SBA are also eligible to apply. SBA's size standards can be found at: <https://www.sba.gov/size-standards/>

Nonprofits:

- 501(c), (d), or (e) nonprofits, or nonprofits that can otherwise provide evidence of nonprofit status, **are** eligible.
- Recipients that are principally engaged in teaching, instructing, counseling, or indoctrinating religion or religious beliefs, or are engaged in political or lobbying activities, are **not** eligible.

How to apply:

- Visit <http://disasterloan.sba.gov/ela>; and/or
- Contact your SBA district office

3. [Small Business Debt Relief Program](#)

This program is designed to help borrowers keep current with payments on an existing SBA loan. It is available to small businesses with existing non-disaster SBA loans. Under this program, SBA will cover all loan payments including interest, fees, and principal for six months. This relief will also be available to new borrowers taking out loans within six months of the bill being signed into law.

Borrowers may separately apply for and take out a PPP loan, but debt relief under this program will not apply to a PPP loan.

Loans that are eligible include 7(a) loans not made under the PPP, 504 loans, and microloans. Disaster loans are not eligible.

Eligibility:

Businesses must:

- Meet size standards (see: <https://www.sba.gov/size-standards/>)
- Be based in the US
- Be able to repay
- Have a sound business purpose
- See [sba.gov/funding-programs/loans](https://www.sba.gov/funding-programs/loans) for details of program requirements

7(a) loans

7(a) loans provide up to \$5 million for borrowers who lack credit elsewhere. 7(a) loans provide short-term or long-term working capital and finance to purchase an existing business, refinance current business debt, or purchase furniture, fixtures, and supplies.

- Types of 7(a) loans: <https://www.sba.gov/partners/lenders/7a-loan-program/types-7a-loans>
- Lenders: 7(a) loans can be accessed through a bank or a mission-based lender.

504 loans

504 loans provide up to \$5.5 million to approved small businesses with long-term, fixed-rate financing used to acquire fixed assets.

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. It is a good option if you need to purchase real estate, buildings, and machinery. You apply through a Certified Development Company, which is a nonprofit corporation that promotes economic development. SBA has a free referral service tool called Lender Match to help find a lender near you.

Microloans

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. These loans are delivered through mission-based lenders that are also able to provide business counseling. SBA has a free referral service tool called Lender Match to help find a microlender near you.

4. Business Counseling

Resource partners are available to help guide small business owners through the COVID-19 crisis. Resource partners can assist counseling and with navigating the above programs.

- Small Business Development Center (SBDC)
- Women's Business Center (WBC)
- SCORE mentorship chapters
- Minority Business Development Agency's Business Centers (MBDCs)

As part of the CARES Act package, resource partners and their associations will receive additional funding to expand their reach and better support small businesses with counseling and up-to-date information. Find a resource partner:

- SBDCs, WBCs, SCORE mentorship chapters: sba.gov/local-assistance/find/
- MBDCs: mbda.gov/businesscenters/

Costs:

Counseling is free and training is low-cost through these partners. Additional funding is being provided to keep this possible. Mentorship through SCORE is always free.

5. Help for Government Contractors

Congress is providing help for government contractors in a number of ways. Agencies will be able to modify terms and conditions of contracts and to reimburse contractors at a billing rate of 40 hours per week of any paid leave, including sick leave.

Eligibility:

- Contractors whose employees or subcontractors cannot perform work on-site and cannot telework due to federal facilities closing due to COVID-19

For additional assistance, reach out to:

- Your local Small Business Development Center, Women's Business Center, SCORE chapter, or SBA district office
- Your agency's contracting officer
- The agency's Office of Small and Disadvantaged Business Utilization

6. Small Business Tax Provisions

Employee Retention Credit

This provision provides a refundable payroll tax credit for 50 percent of wages paid by eligible employers to certain employees during the COVID-19 crisis.

Eligible:

- Employers, including nonprofits, 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 percent reduction in quarterly receipts, measured on a year-over-year basis

Not eligible:

- Employers receiving assistance through the Paycheck Protection Program

What's covered:

- Wages of employees who are furloughed or face reduced hours as a result of their employer's closure or economic hardship
- For employers with 100 or fewer full-time employees: all employee wages are eligible, regardless of whether an employee is furloughed
- The first \$10,000 in wages and compensation paid by the employer to an eligible employee. Wages do not include those taken into account for purposes of the payroll credits for required paid sick leave or paid family leave nor for wages taken into account for the employer credit for paid family leave and medical leave.

Delay of Payment of Employer Payroll Taxes

- This provision would allow taxpayers to defer paying the employer portion of certain payroll taxes through the end of 2020, with all 2020 deferred amounts due in two equal installments, one at the end of 2021 and the other at the end of 2022.
- Payroll taxes that can be deferred include the employer portion of Federal Insurance Contribution Act (FICA) taxes, the employer and employee representative portion of Railroad Retirement taxes (that are attributable to the employer Federal Insurance Contribution Act (FICA) rate) and half of Self-Employment Contributions Act (SECA) tax liability.
- Deferral is not provided to employers receiving assistance through the Paycheck Protection Program.

Families First Coronavirus Response Act

This act includes, among other things, a requirement for employers with fewer than 500 employees to provide Emergency Paid Sick Leave and/or Emergency Family Medical Leave to their employees.

Employers will receive refundable tax credits to offset the cost of these provisions. The tax credits are a dollar-for-dollar reduction to the employer's portion of social security tax or self-employment tax if an individual is self-employed.

Emergency Paid Sick Leave

Emergency Paid Sick Leave can be used by employees who are quarantined, have been advised by a doctor to self-quarantine, or have COVID-19 symptoms and are waiting on a diagnosis. Under these circumstances, the employee must be paid at their usual rate of pay up to a maximum of \$511 per day or \$5,110 in total.

Emergency Paid Sick Leave can also be used if an employee is caring for an individual under quarantine or medical self-quarantine or is caring for a child whose school or place of care has been closed or is unavailable due to COVID-19. Under these circumstances, the employee is paid at their usual rate of pay up to a maximum of \$200 per day.

- Full-time employees can take up to 80 hours of Emergency Paid Sick Leave; part-time employees can take up to the amount of hours they work in an average two-week period.
- Emergency Paid Sick Leave does not reduce existing paid leave or employee rights.
- An employer cannot:
 - o Require an employee to find a replacement worker to cover their shift or
 - o Require an employee to use paid vacation, other paid sick leave, or paid personal leave before taking Emergency Paid Leave.

Emergency Family Medical Leave

Emergency Family Medical Leave is made available for employees who cannot work or telework because they are caring for a child under 18 whose school or place of care is closed or unavailable due to the COVID-19 crisis.

- An employee may take up to 12 weeks of Emergency Family Medical Leave.
- The first 10 days may be unpaid, but the employee must be allowed to use other paid leave to be paid during this time.
- An employee who has already taken 12 weeks of leave under the Family and Medical Leave Act is not eligible for an additional 12 weeks of Emergency Family Medical Leave. However, these employees may still be eligible for two weeks of Emergency Paid Sick Leave.
- After the first 10 days, the employer must provide leave and pay the employee at two-thirds of the employee's usual rate of pay for their usual number of hours worked.
- The maximum required pay is \$200 per day or \$10,000 total per employee.
- After returning from Emergency Family Medical Leave, the employee must be restored to their former position, unless the employer has fewer than 25 employees and the position no longer exists. However, the employee must be restored to their position if the position resumes before 12 months or the end of the COVID-19 emergency.

For information on what's happening at the national level:

- Treasury: <https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>
- Senate: <https://www.sbc.senate.gov/public/index.cfm/guide-to-the-cares-act>
- SBA summary of options: <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options>
- Families First Act: <https://www.dol.gov/agencies/whd/pandemic/ffcra-employer-paid-leave>
- Summary from the US Chamber of Commerce: <https://www.uschamber.com/co/start/strategy/federal-small-business-stimulus-aid-programs-guide>

For information on what's happening at the state level:

<https://www.ncsl.org/research/health/state-action-on-coronavirus-covid-19.aspx>