
Impact on Small and Mid-Sized Businesses

The Coronavirus Aid, Relief, and Economic Security (CARES) Act provides small and mid-sized businesses: (1) enhanced loans to cover payroll and fixed costs, (2) tax deferment, and (3) entrepreneurial assistance.

Small Business Administration (SBA) Paycheck Protection Program

The CARES Act provides loans to businesses with 500 employees or fewer (including restaurants/hotels with no more than 500 employees per physical location), self-employed individuals, and contractors to prevent workers from losing their jobs and businesses from going under due to losses caused by COVID-19.

- **Loan Terms:** Eligible entities may apply for a loan equal to 2.5 times their average monthly payroll from 2019 or \$10 million, whichever is less. Loans are interest-free for the first year, and then charge up to a 4% interest rate for out-years. Loans may be used towards payroll (capped at an annualized rate of \$100,000 per employee), rent, mortgage interest, utilities, and interest on pre-existing debt.
- **Partial Loan Forgiveness:** Any money spent within the first 8 weeks of receiving the loan (except on interest on pre-existing debt) will be forgiven. If the business reduces its number of employees, then the SBA reduces the amount of forgiveness by the same percentage. Likewise, if the business reduces the salary it pays to an employee earning less than \$100,000 by more than 25%, the SBA reduces the amount of forgiveness on a dollar-for-dollar basis. Employers that restore their employment numbers and salaries by June 30, 2020 would experience no reduction in forgiveness.

Additional SBA Provisions:

- All payments on principal, interest, and fees for SBA-issued loans undertaken before enactment of the bill will be covered by the SBA for six months.
- The maximum amount for SBA Express loans (approved within 36 hours of application) is increased from \$350,000 to \$1 million.
- Small businesses who have applied for an Economic Injury Disaster Loan (EIDL) may request a rapid advance (issued within three days of application) of up to \$10,000 on the loan to cover paid sick leave, payroll, increased supply chain costs, rent/mortgage payments, and other obligations that cannot be met due to revenue loss.

Tax Deferment

Businesses and self-employed individuals (except some who take out forgivable loans under the SBA Paycheck Protection Program) may defer payroll tax payments for 2020, with 50% due on December 31, 2021 and 50% due on December 31, 2022. Tax payments for 2021 and 2022 are unchanged.

Entrepreneurial Assistance

The CARES Act provides additional funding for small business development centers, women's business centers, and the Minority Business Development Agency. These organizations are available to help small businesses access federal assistance programs and advise businesses on how to manage the disruptions associated with COVID-19. You can connect with one of these organizations in Utah through these links:

- Small Business Development Centers: <https://utahsbdc.org/>
- Women's Business Centers: <https://wbcutah.org/>
- Minority Business Development Agency: <https://www.mbda.gov/>

Note: prior to the passage of the CARES Act, Congress passed the Families First Coronavirus Response Act (FFCRA) which applied new leave mandates on small and mid-size businesses. Please see our FFCRA one-pager for more information.