

Coronavirus Aid, Relief, and Economic Security Act: *What Small Businesses Need to Know....*

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the largest financial assistance bill ever, includes provisions to help small businesses. The CARES Act makes select changes to taxes and tax policies in order to ease the burden on businesses impacted by COVID-19.

With a massive \$2 trillion allocated for businesses, individuals, federal agencies, and state and local governments, the CARES Act has been designed to distribute capital quickly and broadly. There are a number of provisions that impact small businesses. Here's a breakdown of what you need to know:

Here are the highlights.

Part of the government's response to assist businesses during this time is the recent passage of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

Included in the recently passed CARES Act are additional business loan options, changes to tax policies and changes to the FFCRA, all designed to ease the burden of COVID-19. See Families First Summary Attachment

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Paycheck Protection Program

The Paycheck Protection Program, one of the largest sections of the CARES Act, is the most important provision in the new stimulus bill for most small businesses. This new program sets aside \$350 billion in government-backed loans, and it is modeled after the existing SBA 7(a) loan program many businesses already know.

How does the program work?

Currently, the SBA guarantees small business loans that are given out by a network of more than 800 lenders across the U.S. The Paycheck Protection Program creates a type of emergency loan that can be forgiven when used to maintain payroll through June and expands the network beyond SBA so that more banks, credit unions and lenders can issue those loans. The basic

purpose is to incentivize small businesses to not lay off workers and to rehire laid-off workers that lost jobs due to COVID-19 disruptions.

What types of businesses are eligible?

The Paycheck Protection Program offers loans for small businesses with fewer than 500 employees, select types of businesses with fewer than 1,500 employees, 501(c)(3) non-profits with fewer than 500 workers and some 501(c)(19) veteran organizations. Additionally, the self-employed, sole proprietors, and freelance and gig economy workers are also eligible to apply. Businesses, even without a personal guarantee or collateral, can get a loan as long as they were operational on February 15, 2020.

How big of a loan can I get and what are the terms?

The maximum loan amount under the Paycheck Protection Act is \$10 million, with an interest rate no higher than 4%. No personal guarantee or collateral is required for the loan. The lenders are expected to defer fees, principal and interest for no less than six months and no more than one year.

Can these loans be forgiven?

Yes, small businesses that take out these loans can get some or all of their loans forgiven. Generally speaking, as long as employers continue paying employees at normal levels during the eight weeks following the origination of the loan, then the amount they spent on payroll costs (excluding costs for any compensation above \$100,000 annually), mortgage interest, rent payments and utility payments can be combined and that portion of the loan will be forgiven.

Changes to the SBA's Economic Injury Disaster Loans (EIDLs)

Another important aspect of the CARES Act for small businesses is that it expands eligibility for the SBA's Economic Injury Disaster Loans (EIDLs). In early March, the SBA's disaster loan program was extended to all small businesses affected by COVID-19, but the CARES Act opens this program up further and makes it easier to apply.

These changes include:

- EIDLs are now also available to Tribal businesses, cooperatives, and ESOPs with fewer than 500 employees. They are also available to all non-profit organizations, including 501(c)(6)s, and to individuals operating as sole proprietors or independent contractors.
- EIDLs can be approved by the SBA based solely on an applicant's credit score.
- EIDLs that are smaller than \$200,000 can be approved without a personal guarantee.

- Borrowers can receive a \$10,000 emergency grant cash advance that can be forgiven if spent on paid leave, maintaining payroll, increased costs due to supply chain disruption, mortgage or lease payments or repaying obligations that cannot be met due to revenue losses.

For everything you need to know about applying for a small business loan, see the **U.S. Chamber's Small Business Loan Guide** See Attachment

Can a business get an EIDL and a Paycheck Protection Program loan?

Yes, small businesses can get both an EIDL and a Paycheck Protection Program loan as long as they don't pay for the same expenses. However, be sure to check with your financial advisor or lender before taking both types of loans if you are not sure of the specifics.