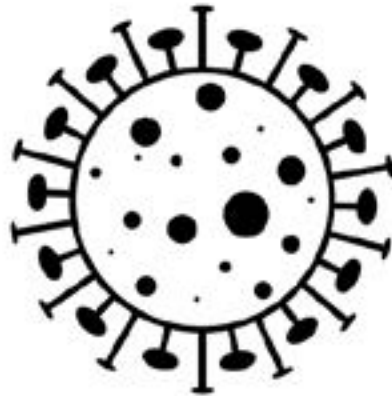




EMERGENCY BUSINESS RESPONSE



Coronavirus
COVID-19



LAST UPDATED: JULY 16, 2020

**CONNECTICUT SMALL BUSINESS
DEVELOPMENT CENTER**

FEDERAL RESOURCES GUIDE

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Paycheck Protection Program

This loan program provides loan forgiveness for retaining employees by temporarily expanding the traditional SBA 7(a) loan program.



EIDL

This loan will provide economic relief to small businesses and non-profit organizations that are currently experiencing a temporary loss of revenue.



SBA Express Bridge Loans

Enables small businesses who currently have a business relationship with an SBA Express Lender to access up to \$25,000 quickly.



SBA Debt Relief

The SBA is providing a financial reprieve to small businesses during the COVID-19 pandemic.

[Click here to sign up for help with each program and with the application for each of the resources that best fit your business and circumstances. No-cost assistance.](#)



U.S. Small Business Administration

SBA ECONOMIC INJURY DISASTER LOAN ASSISTANCE

CAN MY BUSINESS APPLY?

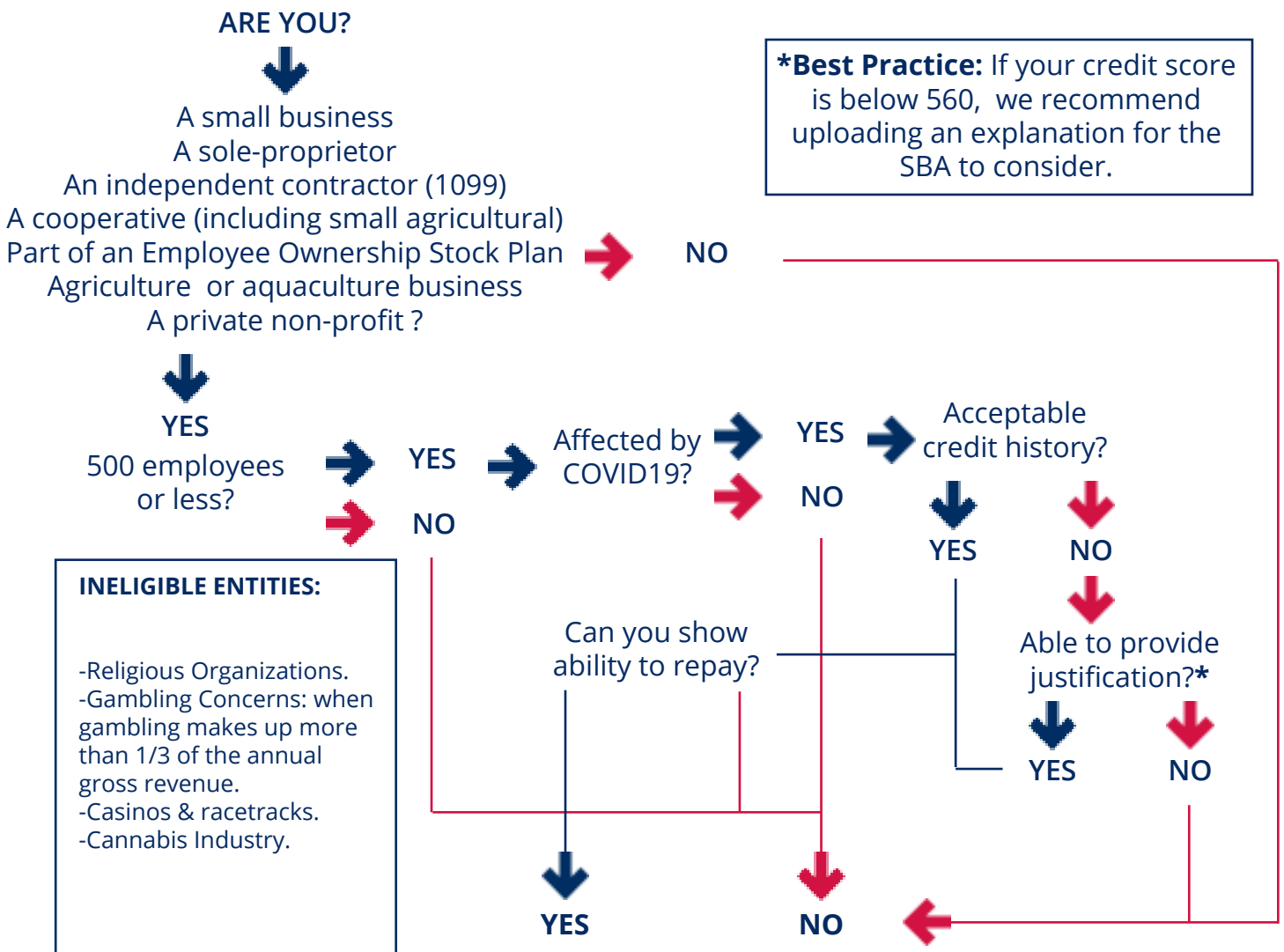
The Connecticut Small Business Development Center offers no-cost expert assistance to small business owners impacted by COVID-19, in completing and filing their applications.

Click here to sign-up for help completing your SBA loan application and grant request as well as understanding other resources available to you.

WHAT IS IT?

The Economic Injury Disaster Loan Program is a low-interest, working-capital loan for small businesses affected by COVID19. The loan provides temporary relief up to \$150,000 to assist qualifying businesses and private nonprofits in meeting their obligations.

IS MY BUSINESS ELEGIBLE?





U.S. Small Business Administration

SBA ECONOMIC INJURY DISASTER LOAN ASSISTANCE **HOW TO APPLY**

STEP 1: UNDERSTAND THE LOAN

HOW MUCH	INTEREST RATES	TERMS	COLLATERAL
 Up to \$150,000	 3.75% Small Business 2.75% Nonprofits	 Up to 30 years	 Waived

Additional Updates: Loans under \$25,000 can be approved without personal guarantee. The process has been streamlined, and decisions may be made solely on the applicant's personal credit score.

STEP 2: KNOW WHAT YOU CAN USE IT FOR

- These working-capital loans may be used to pay fixed debts, payroll, accounts payable, and other bills that would have been paid had the disaster not occurred.
- The loans are not intended to replace lost sales or profits, or for expansion.
- Funds cannot be used to pay down long-term debt.

STEP 3: APPLY FOR THE LOAN

Apply:

- Online - covid19relief.sba.gov/ - The full application is no longer done online. You will go through a screening process, and then be requested to submit supporting documentation if you are determined to qualify.
- Application status may also be obtained by calling the SBA's Customer Service Center at 800-659-2955 (TTY/TDD: 800-877-8339) or by sending an e-mail to disastercustomerservice@sba.gov

STEP 4: PROCESSING & DECISION

SBA reviews your credit, and a loan officer determines your eligibility. The goal is to arrive at a decision within 3-4 weeks.

You will receive an email from SBA (**please check carefully that the address is from @sba.gov**) with a link to create an account where you will upload all your documents.

STEP 5: CLOSING & FUNDING

SBA prepares and sends you Loan Closing Documents to sign. Initial disbursement made within 5 days.



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SBA ECONOMIC INJURY DISASTER LOAN ASSISTANCE TIPS & INSIGHTS

MAKE SURE YOU HAVE ALL YOU NEED!

- Completed SBA loan application (SBA Form 5)
- Tax Information Authorization (IRS Form 4506T) for the applicant, principal, & affiliates
- Complete copies of most recent Federal Income Tax Returns
- Schedule of Liabilities (SBA Form 2202)
- Personal Financial Statement (SBA Form 413)
- Income, Balance Sheet, and Cash Flow Statements
- Other information may also be requested (complete copy including all schedules, of the most recent Federal Income Tax Return for principals, general partners, or managing member and affiliates; a year-end Profit & Loss, and Balance Sheet if the most recent Federal Income Tax Return has not been filed; a current year-to-date Profit & Loss statement; SBA Form 1368 providing monthly sales figures.

TIPS FOR APPLYING



Include the disaster name in your application: "COVID-19" or "Coronavirus."



Write your password down; neither the system nor any personnel are able to retrieve it.



If your tax returns reference other businesses you own, you must also submit those tax returns in order to avoid processing delays.



Do not rush through the application. Check and recheck to ensure all the needed information is completed prior to submission. The biggest reason for delays in processing is due to missing information.



Apply online versus by mail.



Save your work at every prompt.



Double check to make sure the contact information you use (business name and name of all owners) matches your federal tax returns.



If more funds are needed, applicants can submit supporting documents and a request for an increase. If less funds are needed, applicants can request a reduction in the loan amount.



-If the loan request is denied, the applicant will be given up to six months in which to provide new information and submit a written request for reconsideration.

-The website may go down periodically due to high volume. If this happens, try to login again at a later time.



U.S. Small Business Administration

SBA PAYCHECK PROTECTION PROGRAM (CARES ACT) **CAN MY BUSINESS APPLY?**

The Connecticut Small Business Development Center offers no-cost expert assistance to small business owners impacted by COVID-19, in completing and filing their applications.

Click here to sign-up for help completing your PPP loan application as well as understanding other resources available to you.

WHAT IS IT?

The Paycheck Protection Program is an SBA loan administered through approved lenders, that helps businesses keep their workforce employed during the COVID-19 crisis.

IS MY BUSINESS ELEGIBLE?

ARE YOU?



- A small business under SBA size standards
- A sole-proprietor
- An independent contractor (1099)
- A business in NAICS 72 size per location
- A cooperative (including small agricultural)
- Part of an Employee Ownership Stock Plan
- Small agriculture & aquaculture businesses
- Tribal business (not gambling)
- A private non-profit?

***Best Practice:** If your credit score is below 560, we recommend having a written explanation you can provide to the lender & SBA

→ NO



YES

<500 employees
NAICS 72 <500 per location

→ YES

→ NO

In operation on Feb. 15?

→ YES

→ NO

Acceptable credit history?

↓ YES

↓ NO

Able to provide justification?*

↓ YES

↓ NO

Can you show ability to repay if not forgiven?

↓ YES

↓ NO

INELEGIBLE ENTITIES:





- Businesses engaged in lending.
- Life insurance companies. (individual agents qualify)
- Gambling Concerns: when gambling makes up more than 1/3 of the annual gross revenue.
- Casinos & racetracks.
- Cannabis Industry.



U.S. Small Business Administration

SBA PAYCHECK PROTECTION PROGRAM (CARES ACT) HOW TO APPLY

STEP 1: UNDERSTAND THE LOAN (REVISED AFTER THE FLEXIBILITY ACT)

HOW MUCH  Up to \$10 million	INTEREST RATES  1% for all applicants	TERMS  5-year maturity	COLLATERAL & PERSONAL GUARANTEE  Waived
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STEP 2: KNOW WHAT YOU CAN USE IT FOR

- The funds can be used for qualifying payroll expenses including some health and leave benefits, payments on mortgage interest (not principal), rent and utilities incurred prior to February 15, 2020.
- The loans are not intended to replace lost sales or profits, or for expansion.
- In order to qualify for loan forgiveness, at least 60% of the loan must be used on payroll.

STEP 3: CALCULATE THE AMOUNT YOU MAY QUALIFY FOR



SUM OF <u>QUALIFIED</u> PAYROLL COSTS	—	SUM OF <u>EXCLUDED</u> PAYROLL COSTS	=	PAYROLL COSTS
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QUALIFIED PAYROLL COSTS

For Employers: The sum of payments of any compensation with respect to employees that is a:

- 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 the employee

For Sole Proprietors, Independent Contractors, and Self-Employed Individuals: The sum of payments of any compensations to or income of a sole proprietor or independent contractor is a wage, commission, income, net earnings from self-employment, or similar compensation and that is in the amount that is not more than \$100,000 in one year, as pro-rated for the covered period.

EXCLUDED PAYROLL COSTS

Excluded costs apply to all:

- Compensation of an individual employee in excess of an annual salary of \$100,000.
- Payroll taxes, railroad retirement taxes, and income taxes
- Any compensation of an employee whose principal place of residence is outside of the United States
- Qualified sick leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act, or qualified family leave wages for which a credit is allowed under section 7003 of the Families First Coronavirus Response Act



U.S. Small Business
Administration

SBA PAYCHECK PROTECTION PROGRAM (CARES ACT) **HOW TO APPLY**



NON SEASONAL EMPLOYERS

Maximum Loan =

2.5 x Average total monthly payroll costs incurred during the year prior to the loan date

For businesses not operational in 2019:

2.5 X Average total monthly payments for payroll costs incurred for January and February 2020

SEASONAL EMPLOYERS

Maximum Loan =

2.5 X Average total monthly payments for payroll costs for the 12-week period beginning February 15, 2020 or March 1, 2019 (decided by the borrower) and ending June 30, 2020

STEP 4: APPLY FOR THE THE LOAN

- Apply: Review the [list of approved lenders](#), and if you bank with any of them reach out to those first. **The application deadline is now August 8, 2020.**
- Complete the revised [Paycheck Protection Program Application Form](#), and gather relevant documents (2019 tax returns or financial statements, 941 payroll records, list of employees, payroll costs incurred over the most recent 12-month period, 1099-MISC if you are a self-employed individual, invoices or bills that prove you were in business Feb. 15)

STEP 5: PROCESSING & DECISION

The bank (lender) obtains certifications from the business in regards to the information submitted, confirms receipt of documents and the dollar amount based on the documentation submitted, and submits the application and documentation to the SBA.

STEP 6: CLOSING & FUNDING

The bank (lender) prepares and sends you Loan Closing Documents to sign.

STEP 7: LOAN FORGIVENESS BASICS

You will owe money when your loan is due if you use the loan amount for anything other than payroll costs, mortgage interest, rent, and utilities payments over the 24 weeks after getting the loan. Not more than 40% of the forgiven amount may be for used non-payroll costs in order to obtain maximum forgiveness.

You may also owe money if you do not maintain your staff and payroll.

- **Number of Staff:** Your loan forgiveness will be reduced if you decrease your full-time employee headcount, unless you qualify for a Safe Harbor.
- **Level of Payroll:** Your loan forgiveness will also be reduced if you decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019.
- **Re-Hiring:** You have until the earliest of December 31, 2020 or the time you submit your forgiveness application to restore your full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.



U.S. Small Business Administration

SBA PAYCHECK PROTECTION PROGRAM (CARES ACT) FORGIVENESS GUIDELINES

STEP 1: DETERMINE WHICH FORGIVENESS APPLICATION FORM YOU CAN USE

I AM A SELF-EMPLOYED INDIVIDUAL

Sole-proprietor, independent contractor, or single-member LLC owner

WITH NO EMPLOYEES



USE FORM 3508EZ

ALL OTHERS



USE FORM 3508

I AM AN EMPLOYER

I did NOT reduce salary or wages of any employee during my Covered Period

AND

I did not reduce the number of employees or the average paid hours of employees between January 1, 2020 and the end of the Covered Period **(1)**

I AM AN EMPLOYER

I did NOT reduce salary or wages of any employee during my Covered Period

AND

I was unable to operate during the Covered Period at the same level of business activity as before February 15, 2020, due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020 by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration, related to the maintenance of standards of sanitation, social distancing, or any other work or customer safety requirement related to COVID-19.



(1) Ignore reductions that arose from an inability to rehire individuals who were employees on February 15, 2020 if the you were unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020. Also ignore reductions in an employee's hours that you offered to restore and the employee refused.

STEP 2: UNDERSTAND ALLOWABLE USES FOR PAYROLL & NON-PAYROLL COSTS

Please refer to page 7 of this guide, to review allowable uses. Utilities have been further defined as electricity, gas, water, transportation, telephone, or internet access for service that began prior to February 15, 2020.



SBA PAYCHECK PROTECTION PROGRAM (CARES ACT) **FORGIVENESS GUIDELINES**

STEP 3: THE 60/40 RULE

One of the key guidelines for reaching maximum forgiveness is to use a minimum of 60% of the total of the loan amount towards those allowable payroll costs. You are able to use up to 100% of the loan proceeds towards payroll, but using less than 60% will mean having to repay the difference. The remaining 40% can be used towards the allowable non-payroll costs, such as rent and utilities.

Example: If you use 50% towards payroll and 50% towards the other expenses, you will have to repay 10% of your loan.

STEP 4: UNDERSTANDING THE TIMELINE FOR USE OF FUNDS

If you applied for PPP prior to June 5, 2020, you can choose to stay with the original 8-week period, or use the Flexibility Act's expanded 24-week period. You do not need to do anything to select a period, simply record your expenses accordingly.

Payroll Costs: Payroll Costs must have been paid or incurred during either the eight consecutive weeks following the disbursement of the loan (for loans issued prior to June 5) or the twenty-four weeks following the disbursement of the loan (or Dec. 31st, whichever comes first. No covered period may extend beyond Dec. 31, 2020) – this is referred to as the “covered period.” --- Alternatively, borrowers can use the first day of the first payroll cycle after disbursement of the loan, to count the eight consecutive weeks or twenty-four consecutive weeks for payroll purposes only – this is referred to as the “alternative payroll covered period.”

- Payroll costs are “paid” when the paychecks are distributed (or direct deposit transactions started).
- Payroll costs are “incurred” during the borrower’s last pay period of the “covered” or “alternative” payroll period if paid on or before the next regular payroll date or within the payroll periods, to be eligible for forgiveness. In general, payroll costs are incurred the day the employee “earns” pay (the day he/she worked or would have worked under normal circumstances).

Non-Payroll Costs: Must be incurred or paid during the covered period, meaning the eight weeks from disbursement. Alternative period does not apply to non-payroll costs. To be eligible for forgiveness, they must either be paid within the eight-week period or twenty-four-week period, or incurred during the period and paid on OR before the next regular billing date (even if the billing date falls after the covered period).



U.S. Small Business
Administration

SBA PAYCHECK PROTECTION PROGRAM (CARES ACT) **FORGIVENESS GUIDELINES**

STEP 5: EVALUATE POTENTIAL LOAN REDUCTIONS

- Forgiveness will be reduced if borrowers reduce wages by more than 25%, unless they are restored by December 31, 2020.
- Forgiveness will be reduced if borrowers reduce their FTE (full-time equivalent) count, unless they are restored by December 31, 2020.
- You will owe money if you use the funds for anything other than the allowable costs, and if you exceed the 60/40 rule using more on non-payroll costs than the maximum 40%.

Note you may be able to avoid these penalties if you qualify for one of the available Safe Harbors.

STEP 5A: POTENTIAL LOAN REDUCTIONS BASED ON FTE



Full-time is defined as a 40-hour workweek. Those working over 40 hours a week are still considered 1 FTE.

Employers can choose to define FTE as either a quotient of 1 (30 hrs./week = $30/40 = 0.75$ FTE), or count each part-time employee as 0.5 full-time equivalency regardless of the number of hours worked below 40. Whichever method is selected, must be used consistently across the workforce.

- A reduction in FTE employees during the covered or alternative payroll period reduces the forgiveness amount by the same percentage as the percentage reduction in FTE employees.
- The borrower can choose a reference period, which can be:
 - February 15, 2019 to June 30, 2019 (or)
 - January 1, 2020 to February 29, 2020
- For seasonal employers
 - Either of the two above (or)
 - A consecutive 12-week period between May 1, 2019 and September 15, 2019 to match their seasonality.

Whichever reference period is chosen, must be consistently applied for all employees.

Example: If an employer (borrower) had 10 FTE during the reference period selected, and reduced the count to 8 FTE, the percentage decline would be 20%, and so only 80% would be eligible for forgiveness.



U.S. Small Business Administration

SBA PAYCHECK PROTECTION PROGRAM (CARES ACT) **FORGIVENESS GUIDELINES**

STEP 5B: POTENTIAL LOAN REDUCTIONS BASED ON WAGES

- In general, a reduction in an employee's salary or wages in excess of 25% will result in a reduction in the loan forgiveness amount.
- For any new employee in 2020 and each existing employee who was not paid more than the annualized \$100,000 in 2019, the borrower must reduce the forgiveness amount by the total dollar amount of the salary or wage reductions that are in excess of the allowed 25% of base salary or wages between January 1, 2020 and March 31, 2020 (reference period).
- The reduction is on a per employee basis, not in the aggregate.

Example: An employer reduced a full-time employee's weekly pay from \$1,000/week (based on the reference period) to \$700/week during the covered period. The employee continued working the same amount of hours, so their status as FTE did not change.

The first \$250 would be exempted from the reduction, as they fall within the allowable max. 25% reduction. The additional \$50 reduction per week would not be eligible for forgiveness.

In order to calculate what you may have to repay, if you are using an 8-week period, you would multiply those \$50 x eight weeks = \$400, and list that amount as the salary/wage reduction for that one employee. The same would be done for any other employee, on a one-by-one basis. If you are using a 24-week period, however, regardless of how quickly you use up your funds (let's say you used them up in 12 weeks) you would still have to calculate the wage reduction for the entire 24-week period. You would calculate the amount you may have to repay by multiplying those \$50 x 24 weeks = \$1,200.

STEP 6: UNDERSTAND SAFE HARBORS

Safe Harbor 1 - Based on Flexibility Act

Unable to operate between Feb. 15, 2020 and end of the Covered Period at the same level of business activity due to compliance with requirements or guidance from:

- Secretary of Health and Human Services (HHS)
- Director of the Centers for Disease Control and Prevention (CDC)
- Occupational Safety and Health Administration (OSHA)



TIP: If you applied for your loan prior to June, you have a choice between the 8-week and 24-week period. Evaluate which might be best for your business based on wage reductions if you've had any.

Related to maintaining standards of sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19.



U.S. Small Business
Administration

SBA PAYCHECK PROTECTION PROGRAM (CARES ACT) **FORGIVENESS GUIDELINES**

Safe Harbor 2

To see if you qualify for this Safe Harbor, you would take the following steps:

1. Write down the total average FTE between Feb. 15, 2020 and April 26, 2020
2. Write down the total FTE during the pay period that includes Feb. 15, 2020

If your FTE in 2 is larger than 1, and you restore your FTE by the earliest of Dec. 31, 2020 or the date you file the application for forgiveness, you qualify for an exemption on your temporary staffing reduction.

TIPS TO MAXIMIZE FORGIVENESS



Don't rush to file for forgiveness. While you can apply at any time on or before the loan maturity date, including before the end of the covered period (as long as you've used up the funds), if you reduced staff or wages and don't qualify for the Safe Harbors mentioned, you still have the opportunity to restore wages and FTE by Dec. 31, 2020 in order to avoid repayment penalties.



Keep proper records for everything, from how you used the loan to what happened with employees. If you offer a laid-off employee back its job with the same salary/wages and hours, or you offer to restore reduced hours to an employee, and the employee declines the offer, those employees can generally be exempt from the reduction calculation as long as:

- You (employer/borrower) made a good-faith, written offer to rehire the employee (or restore hours if this applies) during the covered period,
- The offer was for the same salary/wages and hours as earned in the last period prior to separation or reduction in hours,
- The offer was rejected by the employee,
- The borrower has maintained records documenting both the offer and rejection, and,
- The borrower has informed CT Department of Labor, Unemployment Insurance, of the employee's rejected offer of reemployment within 30 days of the rejection.



Make sure you understand and follow the basic rules:

- 60% minimum use of the total of the loan used to cover eligible payroll costs
- 40% maximum use towards eligible non-payroll costs
- Proper use and recording of your covered or alternative covered period for period
- Understanding incurred and/or paid for both payroll and non-payroll costs
- Understanding reference periods for FTE and for wages

Please know we are here to help you. If you would like to work one-on-one with an advisor to walk through the forgiveness process and how best to apply it to your circumstances, sign-up for no-cost and confidential assistance.



U.S. Small Business Administration

SBA EXPRESS BRIDGE LOAN PILOT PROGRAM **CAN MY BUSINESS APPLY?**

WHAT IS IT?

In response to the COVID-19 National Emergency, the Express Bridge Loan (EBL) Pilot Program has been modified and the term extended. The EBL Pilot Program is designed to supplement the Agency's direct disaster loan capabilities and authorizes SBA Express Lenders (banks and nonprofit lenders) to provide expedited SBA-guaranteed bridge loan financing on an emergency basis in amounts up to \$25,000 for disaster-related purposes to small businesses while those small businesses apply for and await long-term financing (including through SBA's direct Disaster Loan Program, if eligible).





IS MY BUSINESS ELIGIBLE?

Aside from being a business affected by COVID-19, small businesses must have been operational when the declared disaster commenced and must meet all other 7(a) loan eligibility requirements. Eligible businesses must:

- Operate for profit
- Be engaged in, or propose to do business in, the U.S. or its territories
- Meet SBA Size Standards (under 500 employees for most)

Call your lending institution to ask if they participate

UNDERSTAND THE LOAN

HOW MUCH	INTEREST RATES	TERMS	COLLATERAL
 Up to \$25,000	 Max 6.5% + Prime	 Up to 7 years	 Same as required for other 7(a) loans

KNOW WHAT YOU CAN USE IT FOR

For the COVID-19 Emergency Declaration, EBL loan proceeds must be used exclusively to support the survival and/or reopening of the small business.

NOTES

- SBA Express Lenders may only make EBL loans to eligible small businesses with which the Lender had an existing banking relationship on or before the date of the applicable disaster.
- Lenders may request the loan be paid in full with proceeds from additional assistance loans if those are approved.

YOU MAY BE ELIGIBLE FOR MORE THAN ONE PROGRAM. CONTACT US FOR APPLICATION ASSISTANCE.

PAYCHECK PROTECTION PROGRAM

- Payroll Expenses + Health & Leave Benefits
- Mortgage Interest but not Principal
- Rent & Utilities
- Interest on debt incurred before 2/15/2020



2.5X the business's average monthly payroll

1.0%
Annual Percentage Rate

no payments for first **6 months**
5 years

up to **100%** with approval



ECONOMIC INJURY LOAN

- Payroll Expenses
- Rent & Mortgage Payments
- Accounts Payable & Fixed Expenses
- Other Expenses that can't be paid due to the disaster's impact

up to **\$2 million**

3.75%
Annual Percentage Rate

no payments for first **12 months**
30 years

up to **\$10,000** in the form of a cash advance*

*The funds allocated to the EIDL Advance were exhausted as of 7/13/2020, but the loan program is open and accepting applications.

SBA DEBT RELIEF

- The SBA will automatically pay the principal, interest, and fees of current 7(a), 504, and micro-loans for a period of six months.
- The SBA will also automatically pay the principal, interest, and fees of new 7(a), 504, and micro-loans issued prior to September 27, 2020.

For the most up-to-date information on resources available to you during COVID-19, click here to visit our online COVID-19 Recovery Resources. Info on tax breaks, deferral on current loans, handling layoffs, safety tips, and more.



The Connecticut Small Business Development Center is funded in part through a cooperative agreement with the U.S. Small Business Administration, the Connecticut Department of Economic and Community Development, and the University of Connecticut.