



## The Coronavirus Aid, Relief, and Economic Security (CARES) Act Outline of Small Business Relief

### Overview

- \$350 billion in loan forgiveness grants to small businesses and non-profits to maintain existing workforce and help pay for other expenses like rent, mortgage, and utilities.
- \$10 billion for SBA emergency grants of up to \$10,000 to provide immediate relief for small business operating costs.
- \$17 billion for SBA to cover 6 months of payments for small businesses with existing SBA loans.

### Business Loan Programs

- **Paycheck Protection Program**
  - New program provides forgivable SBA loans to businesses with 500 or fewer employees as well as those that meet SBA size standards.
  - Who is eligible?
    - Sole-proprietors, independent contractors, and other self-employed individuals are eligible.
    - Small businesses, 501(c)(3) nonprofits, 501(c)(19)veteran's organizations, or Tribal Business concerns with not more than 500 employees or the applicable size standard as specified by SBA are eligible.
  - Loan uses: payroll support, insurance premiums, mortgage, rent and utility payments
  - Exceptions: Hospitality and restaurant industry and certain other businesses are excused from employee limits.
  - Expands SBA express loan maximum value from \$350K to \$1 M through December 31, 2020.
  - NOTE: A borrower may not receive a Paycheck Protection loan along with Economic Injury Disaster Loan (EIDL) unless the EIDL loan is unrelated to COVID-19.
- **Loan Forgiveness**
  - Forgiven amount: Equal to the sum of the payroll costs incurred during the covered 8 week period compared to the previous year. Amount may not exceed the principal amount of the loan and does not include compensation above \$100,00 in wages.
  - The forgiven amount will be reduced proportionally by any reduction in employees retained compared to the prior year and reduced by the reduction in pay any employee beyond 25% of their prior year compensation.
  - Borrowers that rehire employees that were previously laid off during to COVID-19 crisis will not be penalized.
  - Portions of the loan not forgiven are payable over 10 years with maximum interest rate of 4%.



- **Emergency EIDL Grants**
  - Expands eligibility for access to EIDL loans to include any individual operating as a sole proprietor or an independent contract or tribal businesses, cooperatives, and ESOPs with fewer than 500 employees during the covered period (January 31, 2020 to December 31, 2020). 501(c)3 organizations are also eligible for EIDLs and grants.
  - Waivers and Requirements
    - SBA will waive any personal guarantee on advances and loans below \$200,000. (Requires applicant been in business 1 year prior to the disaster as well as meet credit requirement.)
    - SBA can approve and offer EIDL loans based solely on applicant's credit score or an appropriate alternative method for determining applicant's ability to repay.
  - Emergency Grants
    - Emergency Grant allow eligible entities that have applied for an EIDL loan due to COVID-19 to request an advance on that loan.
    - Advances cannot be more than \$10K.
    - SBA must distribute the money within 3 days.

## **Tax Measures**

- **Employee Retention Credit**
  - Fully refundable tax credit tied to employee wages.
  - Eligible Employer Qualifications:
    - Operations were fully or partially closed to do a COVID-19 related shutdown order or
    - Gross receipts declined by more than 50 percent when compared to the same quarter the previous year.
  - Qualified wages for refund:
    - More than 100 full time employees: Wages paid to employees when they are not working due to COVID-19 related circumstances.
    - Fewer than 100 full-time employees: All employee wages qualify regardless of circumstances.
  - The credit is limited to \$10,000 per employee and is refundable against payroll tax.
  - The Treasury Department would provide advance payments to get money to businesses more quickly.
  - The credit would be available to businesses that do not receive Small Business Administration loans.
  - Business owners should choose whether an SBA loan or employee retention credit is better suited to their situation.
- **Employer Payroll Tax Payments Delayed**
  - Employers would be able to delay the payment of their 2020 payroll taxes until 2021 and 2022.



- **Support for Businesses Suffering Losses**
  - The bill also allows businesses to carry back losses from 2018, 2019, and 2020 to the previous 5 years, which will allow businesses access to immediate tax refunds.
- **Invest in Improvements**
  - The bill would fix cost recovery for investments in Qualified Improvement Properties, which will allow businesses that made these investments in 2018 and 2019 and receive tax refunds now.

### **Unemployment**

- **Additional Unemployment**
  - For the next four months, unemployed individuals will receive \$600 per week from the federal government which will be added to what workers receive from the state.
  - The new law also adds 13 weeks of additional unemployment insurance.
- **Pandemic Unemployment Assistance**
  - Temporary program to help self-employed people, freelancers and contractors who can't work due to the coronavirus outbreak and can't apply for unemployment. It gives these individuals half the average unemployment benefit in their state plus the \$600 addition unemployment relief.

### **Cash Payments**

- Americans will get a one-time direct deposit of up to \$1,200 and married couples get \$2,400 plus an additional \$500 per child.
- The payments will be available for incomes up to \$75K for individuals and \$150K for married couples.
- This is also applicable to those who have no income, rely on Social Security benefits, or whose income comes entirely from non-taxable, means-tested benefit programs.