

## **VARIOUS COVID-19 ASSISTANCE OPTIONS**

### **Families First Coronavirus Response Act (FFCRA):**

- Emergency Sick Paid Leave
  - o Employers must provide employees:
    - Up to 2 weeks of paid sick leave at:
      - 100% for qualifying reasons #1-3 below, up to \$511/day & \$5,110 total
      - 67% for qualifying reasons #4-6 below, up to \$200/day & \$2,000 total
  - o Employer receives a dollar for dollar refundable credit against Social Security taxes owed for the wages described above.
  - o Qualifying reasons
    - Employee is subject to a Federal/State/Local quarantine or isolation order
    - Employee has been advised by a health care provider to self-quarantine
    - Employee is experiencing symptoms and is seeking a medical diagnosis
    - Employee is caring for an individual subject to #1 or #2
    - Employee is caring for his or her child whose school or daycare is closed
    - Employee is experiencing any other substantially similar condition specified by US Dept of Health and Human Services
- Extended Family Medical Leave Act (EFMLA)
  - o Same program as Emergency Sick Paid Leave
  - o Specifically, additional 10 weeks for employees falling into qualified reason #5 above.

### **Coronavirus Aid, Relief, and Economic Security Act (CARES Act):**

- Paycheck Protection Program
  - o See attached U.S. Chamber of Commerce Summary
- Employer Payroll Taxes Deferred for 2020
  - o Defer all payments of employer portion of Social Security taxes (6.2%) for 2020
  - o Half of these payments would be due by 12/31/2021
  - o Half of these payments would be due by 12/31/2022
  - o If a business “has had indebtedness forgiven” through some of these other programs (Payroll Protection, etc) then cannot take advantage of this deferral
- Tax Credits to Maintain Payrolls During Economic Hardship
  - o Companies that face closure orders or suffer economic hardship due to COVID-19 and continue to pay employees can receive a 50% tax credit for wages earned up to \$10,000. Credit is available to businesses that see a 50% drop in gross receipts over same quarter the previous year or face full or partial shutdown orders
- Allow Businesses to Write-Off Net Operating Losses (NOLs) on Previous Tax Returns:
  - o Any business that lost money in 2018 – 2020 can write off those losses on previous tax returns up to 5 years ago and receive tax refunds from those previous taxes paid.

- Economic Injury Disaster Loans
  - Working capital loans of up to \$2M with long-term repayment structures (up to 30 yrs)
  - Loans may be used to
    - Pay fixed debts
    - Payroll
    - Accounts Payable
    - Other approved expenses that can't be paid due to COVI-19's impact
  - Interest rate 3.75%
  - Situation to get one of these loans has to be bleak and these are difficult to qualify for:
    - 20% owners must personally guaranty the loan (and usually collateralize)
    - Businesses must be unable to meet its obligations as they mature or pay its ordinary and necessary operating expenses
    - Business (and owners personally) must have "used all reasonably available funds" in the business and be "unable to obtain credit elsewhere".

Prepared by the **U.S. CHAMBER OF COMMERCE**

# CORONAVIRUS EMERGENCY ANS Small Business Guide and Checklist



The Coronavirus Aid, Relief, and Economic Security (CARES) Act allocated \$350 billion to help small businesses keep workers employed amid the pandemic and economic downturn. Known as the Paycheck Protection Program, the initiative provides 100% federally guaranteed loans to small businesses.

Importantly, these loans may be forgiven if borrowers maintain their payrolls during the crisis or restore their payrolls afterward.

The administration soon will release more details including the list of lenders offering loans under the program. In the meantime, the U.S. Chamber of Commerce has issued this guide to help small businesses and self-employed individuals prepare to file for a loan.

Here are the questions you may be asking—and what you need to know.

## 1

# Am I ELIGIBLE?

You are eligible if you are:

- A small business with fewer than 500 employees
- A small business that otherwise meets the SBA's size standard
- A 501(c)(3) with fewer than 500 employees
- An individual who operates as a sole proprietor
- An individual who operates as an independent contractor
- An individual who is self-employed who regularly carries on any trade or business
- A Tribal business concern that meets the SBA size standard
- A 501(c)(19) Veterans Organization that meets the SBA size standard

In addition, some special rules may make you eligible:

- If you are in the accommodation and food services sector (NAICS 72), the 500-employee rule is applied on a per physical location basis
- If you are operating as a franchise or receive financial assistance from an approved Small Business Investment Company the normal affiliation rules do not apply

**REMEMBER:** The 500-employee threshold includes all employees: full-time, part-time, and any other status.



## 2

## What will lenders be LOOKING FOR?

In evaluating eligibility, lenders are directed to consider whether the borrower was in operation before February 15, 2020 and had employees for whom they paid salaries and payroll taxes or paid independent contractors.

Lenders will also ask you for a good faith certification that:

1. The uncertainty of current economic conditions makes the loan request necessary to support ongoing operations
2. The borrower will use the loan proceeds to retain workers and maintain payroll or make mortgage, lease, and utility payments
3. Borrower does not have an application pending for a loan duplicative of the purpose and amounts applied for here
4. From Feb. 15, 2020 to Dec. 31, 2020, the borrower has not received a loan duplicative of the purpose and amounts applied for here (Note: There is an opportunity to fold emergency loans made between Jan. 31, 2020 and the date this loan program becomes available into a new loan)

If you are an independent contractor, sole proprietor, or self-employed individual, lenders will also be looking for certain documents (final requirements will be announced by the government) such as payroll tax filings, Forms 1099-MISC, and income and expenses from the sole proprietorship.

## What lenders will NOT LOOK FOR

- That the borrower sought and was unable to obtain credit elsewhere.
- A personal guarantee is not required for the loan.
- No collateral is required for the loan.

3

# How much can I BORROW?

Loans can be up to 2.5 x the borrower's average monthly payroll costs, not to exceed **\$10 million**.

## How do I calculate my average monthly PAYROLL COSTS?



sum of  
**INCLUDED**  
payroll costs

—

sum of  
**EXCLUDED**  
payroll costs

=

**PAYROLL  
COSTS**

### **INCLUDED** Payroll Cost:

- 1. 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
- 2. For Sole Proprietors, Independent Contractors, and Self-Employed Individuals:** The sum of payments of any compensation to or income of a sole proprietor or independent contractor that is a wage, commission, income, net earnings from self-employment, or similar compensation and that is in an amount that is not more than \$100,000 in one year, as pro-rated for the covered period.

### **EXCLUDED** Payroll Cost:

1. Compensation of an individual employee in excess of an annual salary of \$100,000, as prorated for the period February 15, to June 30, 2020
2. Payroll taxes, railroad retirement taxes, and income taxes
3. Any compensation of an employee whose principal place of residence is outside of the United States
4. Qualified sick leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act (Public Law 116–5 127); or qualified family leave wages for which a credit is allowed under section 7003 of the Families First Coronavirus Response Act



#### 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 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, 2019 or March 1, 2019 (decided by the loan recipient) and ending June 30, 2019

## 4

# Will this loan be FORGIVEN?

Borrowers are eligible to have their loans forgiven.

## How Much?

A borrower is eligible for loan forgiveness equal to the amount the borrower spent on the following items during the 8-week period beginning on the date of the origination of the loan:

- Payroll costs (using the same definition of payroll costs used to determine loan eligibility)
- Interest on the mortgage obligation incurred in the ordinary course of business
- Rent on a leasing agreement
- Payments on utilities (electricity, gas, water, transportation, telephone, or internet)
- For borrowers with tipped employees, additional wages paid to those employees

The loan forgiveness cannot exceed the principal.

## How could the forgiveness be reduced?

The amount of loan forgiveness calculated above is reduced if there is a reduction in the number of employees or a reduction of greater than 25% in wages paid to employees. Specifically:

### Reduction based on reduction of number of employees



**PAYROLL COST**  
Calculated  
on page 2

**X**

Average Number of Full-Time Equivalent Employees (FTEs) Per Month for the 8-Weeks Beginning on Loan Origination

**÷**

#### Option 1:

Average number of FTEs per month from February 15, 2019 to June 30, 2019

#### Option 2:

Average number of FTEs per month from January 1, 2020 to February 29, 2020

#### For Seasonal Employers:

Average number of FTEs per month from February 15, 2019 to June 30, 2019

### Reduction based on reduction in salaries



**PAYROLL COST**  
Calculated  
on page 2

**—**

For any employee who did not earn during any pay period in 2019 wages at an annualized rate more than \$100,000, the amount of any reduction in wages that is greater than 25% compared to their most recent full quarter.

## What if I bring back employees or restore wages?

Reductions in employment or wages that occur during the period beginning on February 15, 2020, and ending 30 days after enactment of the CARES Act, (as compared to February 15, 2020) shall not reduce the amount of loan forgiveness **IF** by June 30, 2020 the borrower eliminates the reduction in employees or reduction in wages.

# WHAT'S NEXT?

Look out for more information about eligible lenders and additional guidance from the SBA soon.

For more guidance and resources for small businesses, visit [uschamber.com/co](https://uschamber.com/co)

## The Coronavirus Aid, Relief, and Economic Security Act

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provides much needed economic help to distressed businesses to prevent further economic harm. The law offers financial assistance through the Small Business Administration and tax deferrals to maintain cashflow. Additional refundable tax credits to offset required paid sick and family leave will protect workers and businesses hurt by COVID-19.

### Timeline of actions to help small businesses increase cashflow:

MARCH  
27

Businesses can defer the employer portion of payroll taxes (6.2% paid by the employer) to keep money in the business. Employers will not need to deposit their portion of payroll tax at the next required deposit date.

Businesses can deduct business losses in 2018, 2019, or 2020 from the previous five years of business tax returns to receive refunds on taxes previously paid.

APRIL  
6

Secretary Mnuchin wants Americans to begin to receive stimulus money, taxpayers with direct debit on file will be the first to receive their money, others may be delayed until May for physical checks to be received.

APRIL  
11

SBA required to release guidance and rules for Paycheck Protection Program and loan forgiveness.

MID  
APRIL

Department of Treasury will release instructions and forms to receive advances on refundable payroll tax credits to offset the cost of required paid sick and family leave.