

Federal Stimulus Package Passes House

March 27, 2020

Today, Congress has passed a historic \$2 trillion stimulus package to help Americans struggling economically due to the COVID-19 pandemic and resulting business closures. Of particular interest to our members, included in the package is a new \$350 billion SBA loan program for small businesses. Its aim is to maintain employment levels as the economy recovers from the unprecedented measures taken in response to COVID-19. Specifics, you will wish to know are below.

Eligibility - Any business that employs 500 or fewer employees (defined as individuals employed on a full-time, part-time, or other basis), as well as self-employed individuals and sole proprietorships, non-profit organizations, veterans organizations, and certain Tribal business concerns.

Businesses can borrow up to 250% of the business' average monthly payroll cost for the one year period immediately prior to the date of the loan. Payroll costs are defined as salary, wages, and commissions (including cash tips) for employees who are paid at an annual rate of not more than \$100,000, plus the costs of vacation, parental, family, medical or sick leave, group health care benefits, insurance premiums, retirement benefits, and state and local taxes assessed on the compensation of employees.

Allowable uses of the loan are for payroll costs, salaries, commissions, costs of continued health care benefits and leave time, the business' payment of interest on mortgage obligations (not principal), rent, utility costs, and interest on any other debt obligation incurred prior to February 15, 2020.

No personal guarantee is required. The amount forgiven will be the amount the borrower spends during an 8-week period after the covered loan is originated on the aggregate of payroll costs, interest payments on mortgage or other debt that was originated prior to February 15, 2020, rent obligations that originated prior to February 15, 2020, and utility costs. The loan forgiveness amount will be reduced proportionately if the employer fails to maintain the level of employees compared to the prior year, and if there is a reduction in pay to any employees in excess of 25% of the employee's prior year compensation.

The amount of loan forgiveness will not be considered as taxable income. If you are interested in obtaining a loan under this program you should immediately contact the bank you currently utilize for your business or another trustworthy bank to begin the application process.

Other notable pieces of the package include:

- Expanded unemployment benefits that increase the maximum benefit by \$600 per week and provide laid-off workers their full pay for four months. Eligibility is extended to independent contractors and the self-employed.
- \$130 billion in emergency aid for hospitals.
- \$150 billion in aid for state and local governments.

- \$500 billion in loans for larger industries, including \$25 billion for passenger airlines; \$4 billion for carriers; \$3 billion for aviation contractors and \$17 billion for businesses critical to maintaining national security.
- Creation of an oversight board and inspector general to oversee loans to large companies.
- Direct payments of \$1,200 to most individuals making up to \$75,000, or \$2,400 for couples making up to \$150,000. Each dependent child increases the amount by an additional \$500. The amount decreases for individuals with incomes above \$75,000, and no payments will be made to those above \$99,000. Payments to married couples start phasing out at incomes above \$150,000 and totally phase out at \$198,000.