

# **NLBMDA Webinar: COVID-19 Federal Business Relief**

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**Presented By:**

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## **Agenda**

- **Background on Federal Relief Packages**
- **Economic Injury Disaster Loans (EIDL)**
- **Paycheck Protection Program (PPP)**
- **Employee Retention Tax Credit**
- **Delayed Payment of Payroll Taxes**
- **Tax Credits for Mandatory Paid Leave**
- **Expanded Unemployment Benefits**
- **Issue of Essential Business**

## **Background on Federal Relief Packages Phase 1**

- Signed March 6;
- \$8.3 billion;
- Focused on developing:
  - Vaccines,
  - Testing kits,
  - Laboratory equipment,
  - Some international aid funding.

## **Background on Federal Relief Packages Phase 2**

- Signed March 14;
- Mandated Paid Leave;
  - Employers with less than 500 employees are required to provide two weeks of paid sick leave to any employee unable to work due to:
  - Quarantine, isolation, coronavirus symptoms, or who are caring for someone in quarantine or isolation, or that has a child in schools that have been closed.
- \$1 billion for additional state unemployment insurance;
- Tax credits to offset the paid sick leave requirements.

## **Background on Federal Relief Packages Phase 3**

- Signed March 27;
- NLBMDA Victory: \$349 billion for small business lending programs;
  - Includes Paycheck Protection Program & EIDL's.
- NLBMDA Victory: QIP Fix
- Cash payments up to \$1,200 for individuals (\$2,400 married).
  - Full payment up to \$75,000/yr (\$150,000 joint filers),
  - Phase-down of payment until \$99,000/yr.
  - Allocates \$500 per child.

## **Economic Injury Disaster Loans (EIDL)**

- Allows for loans up to \$2 million;
  - SBA will determine actual loan amount based on application.
- Applicants can receive a \$10,000 emergency grant within three days of applying for the loan;
- EIDL funds can be used to pay:
  - Fixed debts,
  - Payroll,
  - Accounts payable,
  - Rent payments,
  - Other bills that cannot be paid because of the crisis.
- **EIDL funds cannot be used for the same payroll and overhead costs as Paycheck Protection Program funds.**
- **Borrowers seeking to apply for both programs will need to use EIDL funds for different purposes.**

## **Economic Injury Disaster Loans (EIDL)**

- **Eligibility & Terms:**
  - All small businesses with fewer than 500 employees,
  - Nonprofits (501(c)6) are eligible,
  - Cooperatives are eligible per SBA guidance,
  - Interest rate is 3.75% for businesses, 2.75% for nonprofits.
  - No personal guarantee required for loans less than \$200,000.
  - Payments are deferred for 12 months.
- **Forgiveness:**
  - \$10,000 (this advance amount is considered a grant)
  - Any loan amount over \$10,000 must be repaid.
- **How to Apply:**
  - [\*\*https://covid19relief.sba.gov\*\*](https://covid19relief.sba.gov)
  - This program is directly administered by SBA.

## Paycheck Protection Program (PPP)

- PPP is administered by SBA-approved lending institutions.
  - **The program is available through June 30, 2020.**
- Borrowers can receive loans of up to 2.5x their average monthly payroll, capped at \$10 million per loan.
- Loans can be forgiven if they are used for payroll and certain overhead costs during the 8 weeks following origination of the loan.
- Eligible uses of funds include:
  - Payroll costs,
  - Continuation of health insurance,
  - Employee salaries (under \$100K),
  - Interest on mortgage or rent payments,
  - Utilities,
  - Interest on debt obligations incurred prior to 2/15/2020



## **Paycheck Protection Program (PPP)**

- **Eligibility:**
  - Have 500 or fewer employees,
  - S-corps, sole proprietorships, and independent contractors are eligible,
  - Cooperatives are not currently eligible,
  - Been in business since February 15, 2020 and paid taxes on your employees or independent contractors.
- **Loan Amount & Terms:**
  - 2.5x the average monthly “payroll” costs, measured over the 12 months preceding the loan origination date,
  - Payroll includes:
    - Salaries, commissions, tips,
    - Employee benefits (including health insurance premiums and retirement benefits),
    - State and local taxes,
    - Compensation to sole proprietors or independent contractors.
  - The maximum loan size is \$10 million.
  - Current fixed interest rate is 1%; this can be increased up to 4%.

## Paycheck Protection Program (PPP)

- **Forgiveness:**
  - Payroll costs,
  - Rent or interest on mortgage payments,
  - Utility payments
  - **NOTE: SBA has issued guidance that at least 75% of the forgiven amount should be for payroll costs.**
  
- **How to Apply:**
  - **<https://www.sba.gov/paycheckprotection/find>**
  - This links directly to SBA's website where you can quickly find a local lender in your area.
  - SBA is not directly administering the program. Applicants should go directly to their bank or SBA-approved lender.

## **Employee Retention Tax Credit**

- **Eligibility:**
  - While there is no size limitation, an “eligible employer” is an entity whose operation:
    - Is fully or partially suspended in response to governmental orders limiting commerce, travel or group meetings or
    - Has experienced a significant decline in gross receipts, defined as a decline of 50% or more in quarterly receipts when compared to the prior year quarter.
- This is a tax credit of 50% on the first \$10,000 of wages (including health benefits).
- Credit is based on wages incurred or paid from March 13, 2020, through Dec. 31, 2020
  - (Note: The credit is not available to employers receiving loans under the Paycheck Protection Program)

## **Delayed Payment of Payroll Taxes**

- Relief legislation allows an employer to defer its share of 2020 payroll tax, paying these amounts over the next two years.
- The payroll tax deferral period covers the period beginning March 27, and ending on Dec. 31, 2020.
- Employers will need to pay these amounts over the next two years. Specifically, one-half of the deferred amount is due Dec. 31, 2021, and the remaining half is due Dec. 31, 2022.
- All employers are eligible.
  - **Note: Employers taking a Paycheck Protection Program loan are not eligible.**

## **Tax Credits for Mandatory Paid Leave**

- This is a refundable tax credit for paid sick leave (up to two weeks) and a refundable tax credit for paid family and medical leave (up to 10 weeks).

Per the IRS, paid sick leave covers the following scenarios:

1. The employee is under a federal, state or local quarantine or isolation order related to COVID-19,
2. The employee has been advised by a health care provider to self-quarantine due to concerns related to COVID-19,
3. The employee is experiencing symptoms of COVID-19 and seeking a medical diagnosis.
4. The employee is caring for an individual who is subject to a federal, state or local quarantine or isolation order related to COVID-19, or has been advised by a health care provider to self-quarantine due to concerns related to COVID-19.
5. The employee is caring for the child of such employee if the school or place of care of the child has been closed, or the child care provider of such child is unavailable, due to COVID-19 precautions.
6. The employee is experiencing any other substantially similar condition specified by the Department of Health and Human Services.

**Note:** Employers can take the employee retention tax credit and the paid leave credits but cannot use the same wages to qualify for the respective credits.

## **Expanded Unemployment**

- Relief legislation includes expanded unemployment benefits,
- This program allows an additional \$600 per week to individuals who are collecting regular unemployment compensation including compensation from the following:
  - Unemployment Compensation for Federal Employees (UCFE);
  - Unemployment Compensation for Ex-Servicemembers (UCX);
  - Pandemic Emergency Unemployment Compensation (PEUC) ;
  - Pandemic Unemployment Assistance (PUA);
  - Extended Benefits (EB); ShortTime Compensation (STC);
  - Trade Readjustment Allowances (TRA);
  - Disaster Unemployment Assistance (DUA);
  - Self-Employment Assistance (SEA) program.
- All states have signed agreements with DOL as of March 28, 2020.

## Frequently Asked Questions

**Q: Are S-Corps eligible for EIDL's and PPP loans?**

A: Yes

**Q: If a business currently has an SBA-backed loan and it fears it will not be able to make the payments, what course of action should it take?**

A: Disaster loans from previous disasters that are still being payed back will now have their payments deferred through the end of 2020.

**Q: If I employed 500 people on February 15, but that number has dipped recently or will go down over the next several weeks, am I eligible for a EIDL or PPP loan?**

A: Need additional guidance. The question on the application seems to phrase the question of employees as of February 15, but NLBMDA is seeking clarification.

**Q: Do unemployment benefits that are not due to COVID-19 (prior to March) still get \$600 per week additional going forward?**

A: Yes, according to guidance from DOL.

## **Essential Business**

- **CISA Federal Guidance:**
  - LBM Dealers Considered “Critical essential infrastructure”,
  - NLBMDA lobbied for a revision to include construction,
  - CISA agreed and revised their guidance.
  
- **State Issues:**
  - Many states are following the federal guidance,
  - NLBMDA is lobbying specific states that have not designated construction as essential.



## **Moving Forward**

- **Additional guidance will continue to be released by the federal government for loan/assistance programs,**
- **NLBMDA will be reporting on that and other developments to the membership,**
- **NLBMDA is devising strategy and focus-areas for Phase 4 legislation.**

# Questions?

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