

COVID-19 Update and Resources

Agenda

- Welcome
- Presenters:
 - Joe O'Donnell, Director of Government and Public Affairs for IWPA
 - Dan Neumann, Vice President of Government Affairs for Sorini, Samet & Associates LLC
- COVID-19 Update and Resources
 - Three (Possibly Four?) Phases of Legislative Response
 - Administrative Actions to Support the Business & Trade Communities
 - What Can the Business Community Expect Going Forward?
 - Overview of IWPA's COVID-19/Coronavirus Resources Webpage

“Phase One” – Preparations

- \$8.3 billion to supplement federal government resources
 - Extra funding for Centers for Disease Control and Prevention (CDC), Food and Drug Administration (FDA), National Institutes of Health (NIH), the State Department, the Small Business Administration (SBA), and the U.S. Agency for International Development (USAID)
 - \$4 billion for coronavirus tests
 - \$1 billion for SBA loans

“Phase Two” – Testing and Paid Leave

- Families First Coronavirus Relief Act
 - Free coronavirus testing for the uninsured
 - New requirements for paid sick and family leave
- Payroll tax credits to offset the cost of employer provided leave

“Phase Three” - \$2.2 Trillion Blockbuster

- Coronavirus Aid, Relief, and Economic Security Act
- Key provisions of the stimulus include:
 - Direct payments to Americans of \$1,200 with an additional \$500 for each child. The payments are phased out for Americans making more than \$75,000 per year and are expected to hit bank accounts within two to three weeks.
 - More than \$350 billion for new small business retention loans that will be forgiven if workers are retained.
 - Increases the amount and duration of unemployment insurance payments.
 - \$500 billion to back loans to corporations as well as state and local governments.
 - \$150 billion for hospitals and other health care providers for equipment and supplies.

“Phase Four” – Infrastructure?

- President Trump has indicated that a \$2 trillion infrastructure bill could serve as the next phase of stimulus.
- “Infrastructure Week” has become a cliché in Washington, could this time be different?
- What role would wood products play?
- No funding should go to Green New Deal initiatives.

Federal and State Responses and Resources: Scope of Discussion

- CDC Guidance to Manufacturers operating during COVID-19
- CBP – Tariff Relief?
- Federal Benefits Available to IWPA members:
 - Existing SBA Programs, Now Modified
 - Families First Coronavirus Response Act
 - Effective 4-1-20
 - Provides Federal Paid Sick Leave in certain Coronavirus-related circumstances.
 - Does not cover furlough or closures
 - Coronavirus Aid, Relief, and Economic Security Act (“CARES” Act)
 - Major focus of our discussion today, includes \$349 billion in funding
 - Modifies SBA and expands eligibility/flexibility

Guidance to Manufacturers

- Many IWPA members are considered “essential” under Department of Homeland Security Guidelines during the COVID-19 disaster and can continue operations.
- “Workers who support sawmills and the manufacture and distribution of fiber and forest products, including, but not limited to timber, paper, and other wood and fiber products” are included in “essential industries” under the Federal “food and agriculture” category.
- However, regulating business during this disaster generally falls to state/local authorities, and states have not uniformly incorporated Federal guidelines on essential sectors, so be prepared for questions.

Guidance to Manufacturers

- The National Association of Manufacturers has received further guidance from the CDC [which can be found on IWPA's website](#). Highlights include:
- Employees should STAY HOME if sick. This should be actively encouraged.
- Enforce preventative measures – cough/sneeze etiquette, hand hygiene, where possible, social distancing – provide necessary equipment
- Implement telework where possible, flexible sick leave policies
- Routinely clean frequently touched surfaces including doorknobs, workstations, and restrooms

CBP – Rumors of Tariff Deferral

- ➔ There is an ongoing effort from both Congress and the private sector to defer or waive duties for a 90-day period, similar to the delay in personal income taxes.
- ➔ At this point, the Administration has not acted on this.
- ➔ CBP delayed duty payments the week of March 20 on a case-by-case basis but has since ended this program.

Families First Coronavirus Response Act

- Effective April 1, 2020, applies to employees employed for at least 30 calendar days.
- Paid sick leave (PSL) in certain Coronavirus situations, with caps
- Federal Family and Medical Leave Act (FMLA) paid leave in certain Coronavirus situations, with caps.
- PSL/FMLA are in addition to any PTO/leave provided by employer.
- New U.S. DOL Guidance on “small business exemption” for employers with less than 50 employees.

CARES ACT: Division A, Title I: Keeping American Workers Paid and Employed Act

- This section amends the Small Business Act to create a new Business Loan Program
- Effective February 15, 2020 to June 30, 2020
- Lenders authorized to make loans under the current SBA Business Loan Program are allowed to make loans under this program.
- A loan made under the SBA Disaster Loan Program on or after January 31, 2020 may be refinanced as part of a covered loan

Expanding Definition For Eligibility

- “Small Business” has specific, technical definition under the Small Business Act based on the specific industry. This is amended under the CARES Act to include any business concern, nonprofit organization, veteran’s organization, or Tribal business if it employs not more than the larger of:
 - 500 employees (includes full-time, part-time, and those employed on other bases); or
 - The size standard under NAICS for the industry in which the entity operates.
- Wood Product Manufacturing is covered by Subsector 321
- 321212: Softwood veneer and plywood manufacturing cap: 1,250

Who is covered:

- The bill includes a “sense of the Senate” that the bill should prioritize:
 - Small business concerns
 - Entities in underserved and rural markets (including veterans)
 - Small business concerns owned by socially and economically disadvantaged individuals
 - Women
 - Businesses in operation for less than two years

Accessing Federal Benefits

- ➔ IWPA members should work with current lenders/financial institutions to maximize benefits and to ensure compliance. Existing SBA-qualified lenders will have access to new programs.
- ➔ Federal Tax Law has also been modified, with changes to Net Operating Losses and other provisions. Consult with your tax team.
- ➔ [Note: tax options may not be available if SBA loans/grants are received.](#)

SBA Programs

- The Small Business Administration has a page dedicated to various programs available to eligible businesses that IWPA has posted to its COVID-19 page:

IWPA:

<https://www.iwpawood.org/page/Coronavirus>

SBA:

<https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>

SBA 7(a) Loans

- Standard “Working Capital” Loan up to \$5 million
- Term is up to 10 years
- Interest Rate is negotiated with lender
- CARES Act provides 6 months federal payment on existing SBA loans, beginning on the next payment date

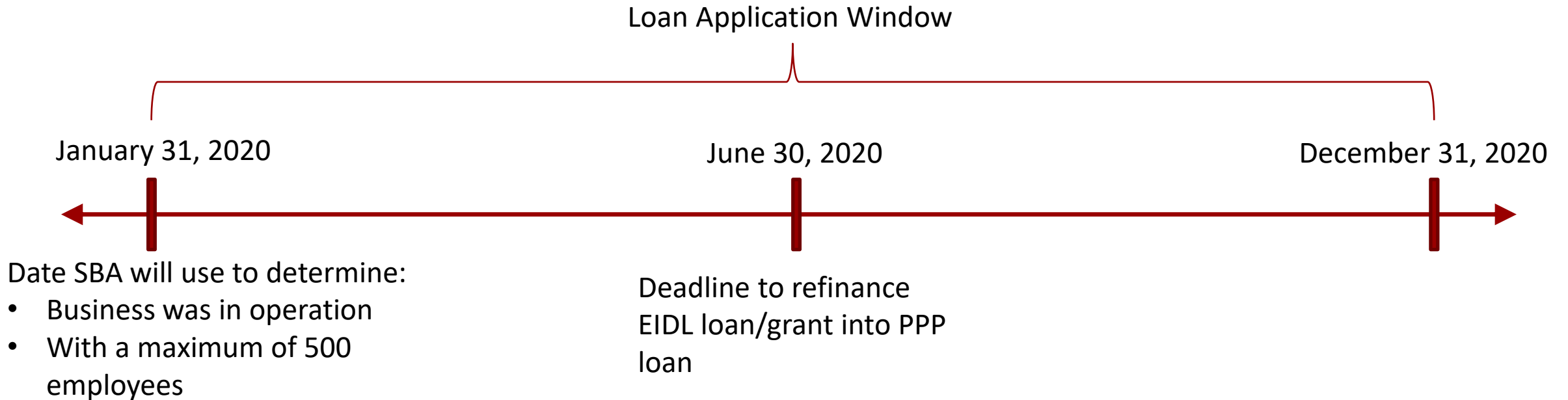
SBA Express Loan

- Up to \$1 Million (increased from \$350,000 by CARES Act)
- Term is up to 7 years (with extensions permitted),
- Interest Rate negotiated with Lender
- Collateral and personal guarantees are required
- Expedited turn around time – 3 days, in theory
- Based on an existing relationship with the lender

Economic Injury Disaster Loans

- Up to \$2 Million, term is based on ability to pay, up to 30 years. Can be used for general working capital, open to businesses up to 500 employees.
- Interest rate of 3.75%
- CARES Act allows for self-certification of eligibility, approval is based on credit score of applicant company. Collateral and personal guarantee are required but waived for loans under \$200,000.
- ALL OF THE U.S. NOW QUALIFIES
- SBA approves the loans, EIDL Advance (up to \$10,000) authorized.
- Apply online: <https://covid19relief.sba.gov/#/>

Economic Injury Disaster Loans



Paycheck Protection Program (PPP)

- ➔ Up to \$10 million, but real cap is calculated based on payroll – 2.5x average monthly payroll costs for year before loan. Payroll cost is “fully loaded” including benefits, but caps salaries at \$100,000 and foreign employees.
- ➔ Apply through any existing SBA 7(a) Lender
- ➔ “credit elsewhere” requirement waived, and no collateral, no personal guarantees required.
- ➔ Uses: Payroll, rent, utilities and interest on debt existing on February 15, 2020.
- ➔ Term: Up to 10 years, Interest Rate of 0.5%, Loan payments deferred for 6 months before payments start.

Paycheck Protection Program Timeline

Loan Application Window

February 15, 2020

April 3, 2020

April 29, 2020

June 30, 2020

Date SBA will use to determine:

- Business was in operation
- Employee count and compensation levels

SBA opens loan applications

Date SBA will use to determine partial loan forgiveness if full employee count and compensation is not restored.

Deadline to restore employee count and compensation in order to qualify for full 8-weeks of loan forgiveness.

Paycheck Protection Program (PPP)

- Payroll
 - Salaries, wages, commissions, or tips (capped at \$100,000 annualized per worker)
 - Benefits including costs for vacation, parental, family, medical or sick leave, health care benefits including insurance premiums and retirement (Unless tax credit)
 - State and local taxes assessed on compensation
 - For a sole proprietor or ind't contractor: wages, commissions, income or net earnings capped at \$100,000 annualized
- Interest on mortgage obligations, rent or utilities which were incurred/leased/service began before 2/15/20
- Term: Up to 2 years, Interest Rate of 0.5%, Loan payments deferred for 6 months before payments start.

Paycheck Protection Program:

- **These loans are forgivable** but are based on number of employees 8 weeks after loan is issued with number of employees during a prior “reference period.”
- At least 75% of loan must go to payroll.
- It’s not “all or nothing” – if you’re at 80 percent from the reference period, 80 percent can be forgiven (i.e., a grant). If you reduce staff during the period of the loan, you have until June 30 to rehire or restore salary levels to regain full forgiveness.
- Use of this program prevents businesses from using certain tax credits under the CARES Act and the Families First Act.
- Some Advisors suggest creating a separate bank account for PPP funds, because you will need to demonstrate that funds are going to appropriate uses (i.e., payroll) for forgiveness.

Treasury Liquidity Loans

Businesses of any size must adhere to a core set of **eligibility requirements**, **commitments**, and **compensation restrictions**. However, larger enterprises must make additional commitments when applying for a loan.

Fewer than 500 Employees

500 or More Employees

Must be a U.S. domiciled business with significant operations and a majority of employees in the United States.

Must not engage in stock buybacks or pay dividends for one year or the term of the loan, whichever is longer.

Must return to 90% of March 24, 2020 employment levels by September 30, 2020 *(to extent practicable)*.

Must restore at least 90% of February 1, 2020 workforce to full compensation and benefits within 4 months of the COVID-19 disaster declaration being terminated.

Cannot outsource or offshore jobs for the term of the loan + 2 years.

Cannot abrogate existing collective bargaining agreements for the term of the loan + 2 years and must remain neutral in union organizing efforts for the term of the loan.

Cannot increase compensation for employees whose annual compensation exceeds \$425,000 above twice the maximum total annual compensation received by that employee until one year after the loan is no longer outstanding.

Employees making over \$3 million in 2019 cannot earn more than \$3 million + 50% of their 2019 compensation that exceeded \$3 million.

Treasury Liquidity Loans

Hypothetical 2020 Liquidity Loan Timeline

	Jan 31, 2020	Feb 1, 2020	Mar 24, 2020	April 6, 2020	May 31, 2020	Aug 31, 2020	Sep 30, 2020	Dec 31, 2020
	Public Health Disaster Emergency Declared	Date used to determine operating status, initial employment level	Second relevant employment level date for companies w/ more than 500 employees	Loan applications open		<i>Gov. terminates public health disaster declaration (hypothetical)</i>	Deadline to restore 90% of March 24 employment levels	<i>Deadline to restore 90% of Feb. 1 employment levels as disaster declaration terminated 4 months ago (hypothetical)</i>
Company A (Large Example)		Operating w/ <u>1000 employees</u>	250 employees furloughed - Company now has <u>750 employees</u>	Company applies for and receives loan	Add. 150 employees furloughed - Company now has <u>600 employees</u>		Company restores 75 employees (now <u>675 employees</u>)	Company restores 225 employees (now 900 employees) – loan commitment met
Company B (Small Example)		Operating w/ <u>350 employees</u>	150 employees furloughed - Company now has <u>200 employees</u>	Company applies for and receives loan	Add. 50 employees furloughed - Company now has <u>150 employees</u>		Company restores 30 employees (now <u>180 employees</u>) – loan commitment met	

CARES Act Unemployment Benefits

- Unemployment Benefits – This is very specific to state-by-state unemployment insurance laws, but:
- Some general points:
 - Workers must apply, and must self-certify that they are able and available to work.
 - Covered period runs from 1/27/20 to 12/31/20
 - Not eligible if able to telework w/pay, or are receiving paid sick leave or other paid leave
 - Expands coverage to self-employed, independent contractors/gig workers, insufficient work history

Federal WARN Act

- The WARN Act requires covered employees (at least 100 employees, excluding part-time) to provide at least 60 days advance notice of a mass layoff or plant closing.
- States also have “mini” WARN Acts, some are waiving.

IWPA's COVID-19/Coronavirus Resources Webpage

<https://www.iwpawood.org/page/Coronavirus>

➤ Latest News

➤ COVID-19 Resources

➤ Calls to Action