

The Treasury Department (Treasury) and the Small Business Administration (SBA) have issued guidance for small businesses on how to access small business loans which were funded with the recently passed CARES Act (Phase 3). Below is information about loan eligibility, criteria, and how to apply.

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

The SBA's Economic Injury Disaster Loan program provides small businesses with working capital loans of up to \$2 million that can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing. The loan advance will provide economic relief to businesses that are currently experiencing a temporary loss of revenue. Immediate funds will be made available within three days of a successful application, and this portion of the loan will not have to be repaid (more details below).

**[To apply for an Economic Injury Disaster Loan \(EIDL\), click here](#)**

#### **Qualification Criteria to EIDL Loans**

The criteria for qualifying is somewhat relaxed when compared to a typical SBA loan and may even see some changes. Also, unlike a typical SBA loan, or even the Paycheck Protection Loans (PPP), detailed below, the application is going directly to the SBA rather than a bank or other lender. The qualification criteria include:

- Businesses with fewer than 500 employees (with some exceptions),
- Businesses that were in operation before January 30, 2020 (this date is different from what is required in the PPL—which is February 15, 2020),
- Businesses that meet the SBA's industry-based size standard requirements for applicable NAICS code, which are based either on number of employees or annual receipts.
- Not-for-profits (except those receiving Medicaid funds)

#### **Loan Parameters**

- The maximum EIDL is a \$2 million working capital loan at a rate of 3.75% for businesses and 2.75% for non-profits with up to a 30-year term;
- Payments on Coronavirus EIDL loans are deferred for one year;
- Up to \$200,000 can be approved without a personal guarantee;
- Approval can be based on a credit score and no first-year tax returns are required;
- Borrowers do not have to prove they could not get credit elsewhere;
- No collateral is required for loans of \$25,000 or less. For loans of more than \$25,000, general security interest in business assets will be used for collateral instead of real estate;
- The borrowers must allow the SBA to review its tax records.

#### **How can I access an Emergency \$10,000 Grant?**

Eligible applicants for an EIDL can receive a \$10,000 emergency grant within three days of application (through Dec. 31, 2020).

There is no obligation to repay the grant. To receive the \$10,000 emergency grant, it is not necessary to have an approved EIDL. However, if you are able to secure a PPP loan (detailed below), the \$10,000 grant will be subtracted from the forgiveness amount.

### **Additional Information**

To access the SBA's webpage on EIDL's and other resources, [click here](#) .

To apply for an EIDL, [click here](#) .

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

The Paycheck Protection Program, which started taking applications **April 3 for small businesses and sole proprietorships**, authorizes up to \$349 billion in forgivable loans to small businesses to pay their employees during the COVID-19 crisis. All loan terms will be the same for everyone.

**[To apply for a PPP loan, click here.](#)**

The loan amounts will be forgiven as long as:

- The loan proceeds are used to cover payroll costs, and most mortgage interest, rent, and utility costs over the 8 week period after the loan is made; and
- Employee and compensation levels are maintained.

Payroll costs are capped at \$100,000 on an annualized basis for each employee. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs. Loan payments will be deferred for 6 months.

### **Qualification Criteria**

All businesses with 500 or fewer employees – including:

- Nonprofits
- Veterans organizations
- Tribal business concerns
- Sole proprietorships
- Self-employed individuals
- Independent contractors

Note: Businesses in certain industries can have more than 500 employees if they meet applicable SBA employee-based [size standards](#) for those industries.

In addition, guidance for S-Corps is not yet available as of Thursday April 2.

### **Allowable Uses for the Loans**

- Payroll costs, including benefits;
- Interest on mortgage obligations, incurred before February 15, 2020;
- Rent, under lease agreements in force before February 15, 2020; and
- Utilities, for which service began before February 15, 2020.
- Payroll costs are defined as:
  - Salary, wages, commissions, or tips (capped at \$100,000 on an annualized basis for each employee);
  - Employee benefits including costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit;
  - State and local taxes assessed on compensation; and
  - For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis for each employee.

### **Size of Loans & Loan Forgiveness**

Loans can be for up to two months of your average monthly payroll costs from the last year plus an additional 25% of that amount. That amount is subject to a \$10 million cap.

If you are a seasonal or new business, you will use different applicable time periods for your calculation. Payroll costs will be capped at \$100,000 annualized for each employee.

You will owe money when your loan is due if you use the loan amount for anything other than payroll costs, mortgage interest, rent, and utilities payments over the 8 weeks after getting the loan.

### **Requesting Loan Forgiveness**

You can submit a request to the lender that is servicing the loan.

The request will include documents that verify the number of full-time equivalent employees and pay rates, as well as the payments on eligible mortgage, lease, and utility obligations. You must certify that the documents are true and that you used the forgiveness amount to keep employees and make eligible mortgage interest, rent, and utility payments. The lender must make a decision on the forgiveness within 60 days

### **Contacting Lenders for PPP Loans**

The Small Business Administration has a network of at least 1,800 approved lenders that process small business loans and intends to add more of them. If your bank is not an SBA-approved lender or you don't have an existing banking relationship, you can [contact the SBA](#) to find one.

### **Time Period for Loan Applicability**

The new loans apply to costs incurred from **February 15 through June 30**.

### **Interest Rate and Payment Schedule**

The Treasury Department is initially setting the loan rate at 0.5 percent. However the CARES Act caps the interest rate for the Paycheck Protection Program at 4 percent, so it is possible the interest rate could increase.

The first payment will be due after six months and the full loan will be due after two years.

### **Additional Information**

The best resource for federal loan programs is the U.S. Small Business Administration or an SBA-qualified financial institution. You can reach the SBA by email at [answerdesk@sba.gov](mailto:answerdesk@sba.gov) or by phone at 1-800-827-5722.

The Treasury Department has also posted [its own fact-sheet](#) on the program on its CARES Act resource page.

### **Get Local SBA Assistance**

To get assistance in your specific area, [click here](#) to access the SBA's portal to pair you with the local SBA contact.

## **Employee Retention Tax Credit**

The Employee Retention Credit is a refundable tax credit against certain employment taxes equal to 50 percent of the qualified wages an eligible employer pays to employees after March 12, 2020, and before January 1, 2021. Eligible employers can get immediate access to the credit by reducing employment tax deposits they are otherwise required to make. Also, if the employer's employment tax deposits are not sufficient to cover the credit, the employer may get an advance payment from the IRS.

For each employee, wages (including certain health plan costs) up to \$10,000 can be counted to determine the amount of the 50% credit. Because this credit can apply to wages already paid after March 12, 2020, many struggling employers can get access to this credit by reducing

upcoming deposits or requesting an advance credit on [Form 7200, Advance of Employer Credits Due To COVID-19](#).

Employers, including tax-exempt organizations, are eligible for the credit if they operate a trade or business during calendar year 2020 and experience either:

1. the full or partial suspension of the operation of their trade or business during any calendar quarter because of governmental orders limiting commerce, travel, or group meetings due to COVID-19, or
2. A significant decline in gross receipts.

A significant decline in gross receipts begins:

- on the first day of the first calendar quarter of 2020
- for which an employer's gross receipts are less than 50% of its gross receipts
- For the same calendar quarter in 2019.

The significant decline in gross receipts ends:

- on the first day of the first calendar quarter following the calendar quarter
- in which gross receipts are more than of 80% of its gross receipts
- For the same calendar quarter in 2019.

The credit applies to qualified wages (including certain health plan expenses) paid during this period or any calendar quarter in which operations were suspended.

**Note: This is not an option for employers who receive a Paycheck Protection loan.**

### **Qualified wages**

The definition of qualified wages depends on how many employees an eligible employer has.

If an employer averaged more than 100 full-time employees during 2019, qualified wages are generally those wages, including certain health care costs, (up to \$10,000 per employee) paid to employees that are not providing services because operations were suspended or due to the decline in gross receipts. These employers can only count wages up to the amount that the employee would have been paid for working an equivalent duration during the 30 days immediately preceding the period of economic hardship.

If an employer averaged 100 or fewer full-time employees during 2019, qualified wages are those wages, including health care costs, (up to \$10,000 per employee) paid to any employee during the period operations were suspended or the period of the decline in gross receipts, regardless of whether or not its employees are providing services.

## **Impact of other credit and relief provisions**

An eligible employer's ability to claim the Employee Retention Credit is impacted by other credit and relief provisions as follows:

- If an employer receives a Small Business Interruption Loan under the Paycheck Protection Program, authorized under the CARES Act, then the employer is not eligible for the Employee Retention Credit.
- Wages for this credit do not include wages for which the employer received a tax credit for paid sick and family leave under the Families First Coronavirus Response Act.
- Wages counted for this credit can't be counted for the credit for paid family and medical leave under section 45S of the Internal Revenue Code.
- Employees are not counted for this credit if the employer is allowed a Work Opportunity Tax Credit under section 51 of the Internal Revenue Code for the employee.

## **Claiming the credit**

In order to claim the new Employee Retention Credit, eligible employers will report their total qualified wages and the related health insurance costs for each quarter on their quarterly employment tax returns, which will be Form 941 for most employers, beginning with the second quarter. The credit is taken against the employer's share of social security tax but the excess is refundable under normal procedures.

In anticipation of claiming the credit, employers can retain a corresponding amount of the employment taxes that otherwise would have been deposited, including federal income tax withholding, the employees' share of Social Security and Medicare taxes, and the employer's share of Social Security and Medicare taxes for all employees, up to the amount of the credit, without penalty, taking into account any reduction for deposits in anticipation of the paid sick and family leave credit provided in the [Families First Coronavirus Response Act \(PDF\)](#).

Eligible employers can also request an advance of the Employee Retention Credit by submitting Form 7200.

## **Paid Leave under the Families First Coronavirus Response Act**

On April 1, 2020, the U.S. Department of Labor announced new action regarding how American workers and employers will benefit from the protections and relief offered by the Emergency Paid Sick Leave Act and Emergency Family and Medical Leave Expansion Act, both part of the Families First Coronavirus Response Act (FFCRA). DOL's Wage and Hour Division (WHD) posted a temporary rule issuing regulations pursuant to this new law, effective April 1, 2020. For more information, see <https://www.dol.gov/agencies/whd/ffcra>.

## **Fact Sheets**

- [Families First Coronavirus Response Act: Employee Paid Leave Rights \(PDF\)](#)
  - Spanish ([PDF](#))
- [Families First Coronavirus Response Act: Employer Paid Leave Requirements \(PDF\)](#)
  - Spanish ([PDF](#))

### **Questions and Answers**

- [Families First Coronavirus Response Act: Questions and Answers](#)
- [COVID-19 and the Fair Labor Standards Act: Questions and Answers](#)
- [COVID-19 and the Family and Medical Leave Act: Questions and Answers](#)