



Weathering the Storm:

Support Available for Small Business in the Coronavirus Relief Packages

UPDATE: January 8, 2021

Another round of funding for PPP loans was authorized in the latest COVID relief deal. The Small Business Administration (SBA) announced on Friday, January 8th that the process of distributing these loans will begin on Monday, January 11th.

According to the SBA, “To promote access to capital, initially only community financial institutions will be able to make First Draw PPP Loans on Monday, January 11, and Second Draw PPP Loans on Wednesday, January 13. The PPP will open to all participating lenders shortly thereafter.” More guidance on this new round of PPP distribution is available at:

<https://www.sba.gov/article/2021/jan/08/sba-treasury-announce-ppp-re-opening-issue-new-guidance>

Other SBA guidance:

- [SBA Guidance on Accessing Capital for Minority, Underserved, Veteran and Women-Owned Business Concerns](#) (Released 1/6/2021)
- [Interim Final Rule on Paycheck Protection Program as Amended by Economic Aid Act](#) (Released 1/6/2021)
- [Interim Final Rule on Second Draw Loans](#) (Released 1/6/2021)

Small businesses in Oregon and across the country have been hit incredibly hard by the coronavirus crisis. Sen. Merkley has fought hard to ensure that congressional action would provide significant support for small businesses during this unprecedented time.

The third coronavirus relief package provides significant funding and new programs to support small businesses across the country. This includes:

- **\$284 billion** in forgivable loans through the *Paycheck Protection Program*, with no personal guarantee or collateral required.
- **\$10 billion** for SBA economic injury disaster loans (EIDL), which provide grants of up to \$10,000 or loans of up to \$2 million to qualifying small businesses. On December 31, the SBA announced the deadline to apply for the EIDL program was extended to **Dec. 31, 2021**.

- **\$17 billion** for SBA to cover six months of payments for small businesses with existing SBA backed businesses loans. This is six months of total relief from payments for existing and new applicants, though collateral is required. New applicants have six months from the signing of the legislation to apply through SBA's Lender Match Portal, with six months of relief for both principal and interest.
- **An Employee Retention Tax Credit.**
 - Employee retention tax credit of 50% of wages for each employee, capped at \$10,000 in wages.
 - The tax credit is available to small businesses who do not participate in the Paycheck Protection Program, and businesses of all sizes who had to fully or partially suspend operations at the direction of the government due to the COVID-19 outbreak or have gross receipts that are 50% less than the same quarter the previous year, until they reach 80% of their gross receipts.
 - This is a refundable payroll tax credit, and the IRS will provide employers with methods to request advance refunds to get the money back faster.

UPDATE: June 5, 2020

In June, Congress passed key updates to the PPP program to give more flexibility to small businesses in how they use and pay back PPP funding. This new law will give small businesses more flexibility in how much of their PPP loan goes to payroll, and the time window for spending the loan, rehiring workers, and paying back non-forgivable parts of the loan.

This update makes the following changes to the terms of PPP loans:

- **Updating the percentage of PPP loans that need to be spent on payroll.** *This update changes the percentage that must be spent on payroll from 75% to 60%, allowing businesses and nonprofits to spend more funds on other critical costs, including rent, mortgage payments, and utilities while still prioritizing workers.*
- **Extending the window in which businesses can use their loans.** *Previously, PPP funds had to be spent within eight weeks. With this update, businesses now have 24 weeks to use their funds.*
- **Extending the safe harbor period for rehiring workers.** *Employers now have until December 31, 2020 to rehire workers.*
- **Extending loan terms for businesses that do not have their loans forgiven.** *PPP recipients will now have five years, instead of two, to pay back their loan.*

UPDATE: April 24, 2020

On April 21, the Senate passed a new bill to provide more funding for several of these programs, as well as to better target aid to the businesses that need it. On April 24, this bill was signed into law. The following provisions will now be available to small businesses:

- An additional **\$310 billion** in funding for the *Paycheck Protection Program (PPP)*.
 - **\$60 billion** is set aside to help ensure that unbanked and underserved businesses can get access to PPP funding. This funding is broken down into two funds:
 - **\$30 billion** for loans made through community-based lenders. This includes Community Development Financial Institutions (CDFIs), Minority Depository Institutions, SBA microlenders, certified development companies/SBA 504 lenders, and banks and credit unions with assets under \$10 billion.
 - **\$30 billion** for loans made through small and mid-sized banks and credit unions, defined as banks and credit unions with assets between \$10 billion and \$50 billion.

- An additional **\$50 billion** for EIDL, plus an additional **\$10 billion** for the Economic Emergency Injury Grant (EEIG) program. This bill also now makes agricultural businesses eligible for this assistance, a key change that Senator Merkley fought for.

FAQs: The *Paycheck Protection Program*

Small businesses can receive fully forgivable loans through the newly-created *Paycheck Protection Program* to address important payroll and operational costs. The federal government has guaranteed these loans, so no personal guarantee or collateral will be required.

FAQs: Eligibility and Application Process

Who can apply?

- Small businesses, 501(c)(3) nonprofits, 501(c)(19) veterans' organizations, and tribal businesses with fewer than 500 employees are all eligible to apply.
 - Affiliation rules are waived for any business assigned a franchiser identifier code or a NAICS code beginning with 72 that has 500 or fewer employees per physical location, or any business that receives funding through a Small Business Investment Company (SBIC).
- Individuals who are self-employed, operate as sole proprietors, or are independent contractors are also eligible.
 - **Note:** Individuals must submit documentation to demonstrate their eligibility, including payroll tax filings, Forms 1099–MISC, and income and expenses from the sole proprietorship.
- Undocumented business owners are not eligible for this relief, but legal permanent residents can apply.

Is my business eligible for the Paycheck Protection Program if I have already had to lay off employees?

- Companies that have already laid off employees can hire back the laid off employees and have that payroll expense covered under the *Paycheck Protection Program*.

How much can I receive?

- This forgivable loan is intended to cover eight weeks of payroll and operational costs, based on the sum of:
 - The average total monthly payments for payroll costs from the prior year before the date the loan was made, multiplied by 2.5.
 - For seasonal employers, the average total monthly payments for payroll for the 12-week period from February 15, 2019, or March 1, 2019, to June 30, 2019, multiplied by 2.5.

- For those small businesses that were not in business from February 15, 2019 to June 30, 2019, the average total monthly payments by the employer for payroll costs incurred during the period beginning on January 1, 2020 and ending on February 29, 2020, multiplied by 2.5.
- Plus any outstanding loans made beginning January 31, 2020.
- The maximum loan amount is \$10 million.

How do I apply?

- You can apply through participating banks and credit unions. A list of Oregon SBA partner lenders can be found [here](#). The federal government has provided a guarantee of these loans to qualified lenders, which includes most banks and established lending institutions that small business owners already work with (the federal government will also reimburse lenders for processing these loan applications).
 - **Note:** Because the federal government has guaranteed these loans, no personal guarantee or collateral will be required.
- Applicants will need to make a good faith certification to lenders that:
 - Uncertain economic conditions require a loan to support ongoing operations;
 - Funds will be used to retain workers, maintain payroll, make mortgage interest and lease payments and utility payments, and to service existing debt;
 - No other applications are pending for a loan for the same purpose, and the recipient has not received any loans for this purpose.
 - **Note:** Recipients of economic injury disaster loans (EIDL) between February 15, 2020 and June 30, 2020 may also be recipients of these PPP loans, and may *refinance* their EIDL loan into this covered loan. Recipients who refinance an EIDL into a PPP loan will have the advance amount subtracted from the amount forgiven in the PPP.

FAQs: How *Paycheck Protection Program* Loans Are Forgiven

Recipients of *Paycheck Protection Program* loans can have their loans forgiven for costs incurred on eligible expenses in the 8 weeks following the origination of their loan. Recipients must submit an application for forgiveness to the lender who originated the loan, with the appropriate documentation.

How much can be forgiven?

- All loan proceeds spent on the eligible expenses (see below for a list of eligible expenses) can be 100% forgiven.
- The amount of forgiveness will be reduced pro-rata based on the number of full time employees maintained during the outbreak of COVID-19, compared to the number of employees maintained between February 15, 2019 and June 30, 2019; or between January 1, 2020 and February 29, 2020, or for seasonal employers, the average number of full-time equivalent employees per month from February 15, 2019 and June 30, 2019.
- The amount of forgiveness will also be reduced by the amount of any salary reductions that are greater than 25% of the total salary or wages of that employee, prior to the COVID-19 outbreak.

What are eligible expenses?

Eligible expenses to be forgiven include:

- Payroll costs.
 - **Note:** Employers with tipped employees may receive reimbursement for additional wages paid to those employees during the outbreak.
- Costs related to health care benefits and insurance premiums.
- Employee salaries, commissions or compensations.
- Interest payments on mortgages (funding shall not go towards the principal).
- Rent.
- Utilities.
- Interest on other outstanding debt obligations (incurred before the COVID outbreak, which began on February 15, 2020).

Are there any limitations on these eligible expenses?

- Eligible payroll costs are capped at salaries over \$100,000 per employee.
- *Paycheck Protection Program* loan forgiveness cannot be used to cover paid time off or paid sick leave. Separate credits to cover these expenses have been provided in the *Families First Coronavirus Response Act*.

How much will I owe for any portion of my loan that is not forgiven, and how long will I have to pay it off?

- Loans (or portions of loans) that are not forgiven under this program will carry the following terms:
 - Interest rate of 1%
 - ~~Maturity of two years~~ – **UPDATE, 6/5/20: The loan term has now been extended to five years.**
 - First payment deferred by six months

FAQs – Paid Leave Through the *Families First Act*

Following the passage of the *Families First Coronavirus Response Act*, businesses with fewer than 500 employees are eligible to be reimbursed for paid sick leave and child caregiving leave that they provide to their employees in response to this crisis.

How much paid time off can be covered, and what type of paid time off is eligible?

Under this program, employees are eligible for—and employers can be reimbursed for—paid time off up to:

- Two weeks (up to 80 hours) of paid sick leave at the employee’s regular rate of pay (up to \$511 per day/\$5,110 total) where the employee is unable to work because the employee is quarantined or experiencing COVID-19 symptoms and seeking a medical assistance;

OR

- Two weeks (up to 80 hours) of paid sick leave at two-thirds the employee’s regular rate of pay (up to \$200 per day/\$2,000 total) because the employee is unable to work because they need to care for an individual subject to quarantine, or to care for a child whose school or child care provider is closed or unavailable because of COVID-19.

What if two weeks of leave is not enough?

This program can also provide for up to an *additional* 10 weeks of paid leave at two-thirds the employee’s regular rate of pay (up to \$200 per day/\$10,000 total) where an employee, who has been employed for at least 30 calendar days, is unable to work because they must care for a child whose school or child care provider is closed or unavailable for reasons related to COVID-19.

Who is eligible?

- Employees at companies with fewer than 500 employees.
- Local, state, and federal government employees.
- Union members employed under a multi-employer plan.
- Contractors are eligible.
- Nonprofits are eligible.

How will it work for eligible employers to be reimbursed for these costs?

- Employers initially front the cost of emergency paid sick leave, but will be fully reimbursed by the federal government within three months.
- The reimbursement will cover both the wages paid and the employer’s contribution to employee health insurance premiums during the period of leave.

- Employers will be reimbursed through a refundable tax credit that counts against employers' payroll tax, which all employers pay regardless of non-profit/for-profit status.
- Employers and self-employed individuals will submit emergency paid sick leave or child caregiving expenses as part of their estimated quarterly tax payments. If employer's costs more than offset their tax liability, they will get a refund from the IRS.
- Guidance from the IRS on how to calculate and apply for these credits can be found [here](#).

FAQs – Small Business Administration Assistance

The Small Business Administration (SBA) is also making assistance available to small businesses to weather the coronavirus crisis.

What programs are available through SBA to support small businesses?

- Small businesses and private non-profits can apply for disaster grants of up to \$10,000 and disaster loans of up to \$2 million in states, including Oregon, where a coronavirus disaster has been recognized by the SBA.
- As of April 24, agricultural businesses also qualify to apply for this assistance.

How do SBA grants work?

Small businesses and private non-profits can receive a grant of up to \$10,000, within three days of applying, to support their operating costs.

- **Note:** Small businesses who receive this SBA assistance can still apply for *Paycheck Protection*, but can't be forgiven for that \$10,000 because that would be considered double dipping.

What are the terms of SBA disaster loans?

These loans, capped at \$2 million, carry an interest rate of 3.75% for small businesses and 2.75% for non-profits. The interest rate will not exceed 4% and the loan term is not to exceed 30 years.

How can I apply and what else do I need to know?

Further information and directions for applying online can be found on the SBA's website at: <https://disasterloan.sba.gov/ela/Information/EIDLLoans>.