



# DENNIS BONNEN



SPEAKER OF THE HOUSE

## **COVID-19 ADVISORY**

**April 1, 2020 | RE: FINANCIAL RESOURCES FOR SMALL BUSINESSES DURING COVID-19**

The following federal acts have recently been signed into law in response to the unprecedented challenges faced by the nation's citizens and business community as a result of the ongoing COVID-19 public health crisis:

### **COVID I - Coronavirus Preparedness & Response Supplemental Appropriations Act (H.R. 6074)**

- \$7 billion for SBA Economic Injury Disaster Loans, which are provided through the SBA and restrict eligibility to small businesses that cannot access credit elsewhere

### **COVID II - Families First Coronavirus Response Act (FFCRA) (H.R. 6201)**

- Applies to businesses with fewer than 500 employees
- Mandates small businesses to provide paid sick leave and paid family and medical leave beginning April 1
- Allows small business exemption process for businesses with fewer than 50 employees

### **COVID III - Coronavirus Aid, Relief, and Economic Security (CARES) Act (H.R. 748)**

- Creates Paycheck Protection Program for forgivable loans (PPPLs)
- Provides "2020 Recovery Rebates" - \$1,200 to individuals, \$2,400 to couples, \$500 per child, with eligibility phased out at an income of \$99,000
- Delays payroll tax payment, creates employee retention credit (for non-PPPL recipients), restores net operating loss carryback, and fixes "retail glitch"
- Expands unemployment insurance eligibility and compensation to small business owners and self-employed workers
- Increases the maximum loan for an SBA Express loan from \$350,000 to \$1 million through December 31, 2020, with turnaround time of 36 hours following completion of the application, for businesses with an existing banking relationship with SBA Express Lenders

While the federal bills contain many policies aimed at supporting individuals and families during this time of crisis, the provisions detailed below are designed to provide broad assistance specifically to businesses and employees negatively impacted by the outbreak.

### **Emergency Economic Injury Grants & Economic Injury Disaster Loans**

- **EIDL Grants:** provide an emergency advance of up to \$10,000 to small businesses and private nonprofits within 3 days of applying for an EIDL
- First apply for an EIDL, then request the advance grant
- The grant is forgivable and does not need to be repaid
- EIDL Grants may be used to maintain employees, pay for sick leave, meet increased production costs due to interrupted supply chains, making rent or mortgage payments, and repaying obligations that can't be met due to revenue loss
- Grants are backdated to January 31, 2020 through December 31, 2020
  
- **EID Loans:** lower interest rate loans for small businesses of up to \$2 million, based on applicant's credit score (3.75% interest rate, 2.75% for nonprofits, for a 30-year loan)
- Businesses with 500 or fewer employees, such as sole proprietorships (with or without employees), independent contractors, cooperatives and employee-owned businesses, and tribal small businesses are eligible for EIDLs
- Loans smaller than \$200,000 can be approved without a personal guarantee
- Businesses can apply for an EIDL online at <https://disasterloan.sba.gov/ela/>

### **Paycheck Protection Program Loans**

- Provides cash-flow assistance through 100% federally guaranteed loans to employers who maintain their payroll during this emergency, no collateral required
- If an employer maintains their payrolls, these loans may be forgiven
- For amounts not forgiven, the maximum term is 10 years, with a maximum interest rate of 4%, zero loan fees, zero payment fees
- Businesses with fewer than 500 employees, including independently owned franchises and accommodation and food services, sole proprietors, independent contractors, self-employed individuals, and 501(c)(3) nonprofits qualify for a PPPL
- Includes up to 8 weeks of payroll based on employee retention and salary levels, no SBA fees, and at least 6 months of deferral (with interest) with maximum deferral up to a year
- Can borrow up to 2.5 times monthly payroll for previous year, up to \$10 million
- Can be used to retain workers, maintain payroll, mortgage or lease payments, utility payments (for expenses incurred between February 15, 2020 and June 30, 2020)
- Business receiving PPPLs may also apply for Emergency Economic Injury Grants and Loans, as long as there is no duplication in the uses of funds
- Apply through all current SBA 7(a) lenders, or additional lenders approved by the Department of Treasury

## **Employee Retention Credit**

- This tax provision provides a refundable payroll tax credit for 50% of wages paid by eligible employers to certain employees during the COVID-19 crisis
- Available to employers whose operations have been fully or partially suspended due to a government order limiting commerce, travel or group meetings
- Also available to employers who have experienced a 50% or greater reduction in quarterly receipts, measured on a year-over-year basis
- Wages of furloughed employees, or those with reduced hours, are eligible for the credit
- The credit is provided for the first \$10,000 in wages and compensation, and includes health benefits
- Those receiving PPPLs are not eligible for the credit

## **Paid Leave**

- Effective April 1, 2020 through December 31, 2020
- Paid Sick Leave (PSL) required duration is 2 weeks leave for full-time employees meeting eligibility requirements, and part-time employees based on average hours worked
- Includes those under quarantine or isolation due to government mandate specific to the individual (not a general shelter-in-place order), health care provider advice or those experiencing symptoms and diagnosis of COVID-19, as well as caregivers of those affected by COVID-19
- Emergency Family and Medical Leave (EFML) includes up to 10 weeks of paid leave for those unable to work or telework because of caring for children under 18
- A business with fewer than 50 employees is exempt from providing PSL for childcare or EFML if it jeopardizes the viability of the small business
- Employers can take a refundable tax credit equal to 100% of qualified paid leave, recouping payments immediately by keeping a portion of the deposit they'd otherwise pay as part of their employees' federal, Social Security and Medicare taxes
- No PSL or EFML is required if a business closes due to a shutdown order or lack of business. Employees can apply for unemployment

## **Additional Information**

- NFIB: <https://www.nfib.com/content/analysis/coronavirus/latest-on-coronavirus-from-nfib/>
- Small Business Administration (SBA): <https://www.sba.gov/disaster-assistance/coronavirus-covid-19>
- Department of Labor (DOL): <https://www.dol.gov/agencies/whd/pandemic>
- Texas Association of Business: <https://www.txbiz.org/corona>
- The U.S. Chamber of Commerce: <https://www.uschamber.com/co/small-business-coronavirus>