

COVID-19 Resource Guide: Government Response for Businesses

April 7, 2020

On March 27, 2020, President Trump signed the **Coronavirus Aid, Relief and Economic Security (CARES) Act**, an approximately **\$2 trillion economic stimulus package** to help bolster the economy in the midst of the COVID-19 pandemic.

This Resource Guide is an informational summary of the various measures contained in the CARES Act designed to provide relief directly to businesses in three respective areas: **access to business loans**, **access to tax credits** and **benefits to individual consumers** (which businesses can reference to inform and guide their employees).



Access to Business Loans

Small Business Administration (SBA) Paycheck Protection Loan

Ideal for small businesses that need funds to cover costs of keeping employees on payroll

Eligibility

- Businesses that have fewer than 500 employees
- Non-profit organizations
- Veteran organizations
- Tribal organizations
- Sole proprietors, self-employed individuals and independent contractors

Terms

Two-year loans capped at a 1% interest rate; the amount of the loan is determined by the business' average **monthly payroll cost multiplied by 2.5** (That is, a small business with an average payroll of \$10K per month is eligible for a \$25K PPP loan)

What's Forgiven

If a business retains their **full staff** and uses 75% of the loan amount to pay for payroll costs and 25% of the loan amount to pay for mortgage/lease or utility payments, **some or all of the PPP loan amount may be forgiven** (That is, a small business will not have to pay the lender back)

Where to Apply

At 800–1,100 SBA lenders across the U.S.; the federal government is also approving additional lenders. Small businesses should access **their primary bank** and other providers available, or visit the Find Eligible Lenders tool on the SBA website at <https://www.sba.gov/paychecprotection/find>

Sources:

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options>
<https://home.treasury.gov/system/files/136/PPP%20-%20Overview.pdf>

SBA Economic Injury Disaster Loan (EIDL)

Available to small businesses that need funds to pay business obligations such as rent or mortgage payments

Eligibility

Small businesses in all **50 states, Washington, D.C.** and **U.S. territories** that are suffering economically due to the COVID-19 crisis may apply for an EIDL

Terms

Working capital loans (of up to \$2 million) capped at a **3.75% interest rate**

Added Benefit

Small businesses that need an infusion of cash immediately can also apply for an **Emergency Economic Injury Grant**, which is an advance on the **loan of \$10K**; to request the \$10K advance, businesses first have to apply for an EIDL

What's Forgiven

The **\$10K grant** does not have to be repaid

Source:

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options>

13(3) U.S. Federal Reserve Loan

Mid-sized businesses with 500-10,000 employees, may be eligible for a 13(3) loan facilitated by the U.S. Federal Reserve

Terms

Various restrictions apply to businesses that receive this loan:

- The business must be unable to obtain adequate financing from other sources
- The loan may not be forgiven
- The business must maintain its employment levels as of March 24, 2020
- The business agrees to restrict the amount of compensation paid to executives
- The business may not engage in stock buybacks for one year after the loan is repaid
- The business agrees not to outsource jobs for the term of the loan plus two years
- The business must remain neutral in any union organizing effort for the term of the loan



Source:

CARES Act, Title IV, Subtitle A, Sections 4001-4004, <https://www.congress.gov/bill/116th-congress/house-bill/748/text>



Access to Tax Credits

Option

1

Employee retention credit incentivizes employers to keep employees on the payroll

Eligibility

- Businesses that have **retained employees** despite having to close their operations or that have experienced a **50% decline in business** may be able to receive a tax credit for keeping their employees on the payroll
- Operations were **fully or partially suspended** due to a government shut-down order
- Gross receipts **declined by 50%** when compared to the same quarter in the prior year

Credit Amounts

- Businesses that meet this criterion and had **fewer than 100 full-time employees** in 2019 can receive a refundable payroll tax credit of up to **\$5K per employee**
- Businesses that meet this criterion and had **100 or more full-time employees** in 2019 can be eligible for the tax credit of up to **\$5K for each employee** that is not working due to the business being shut down or the gross revenues of the business declining by 50% compared to the same quarter in the prior calendar year

Exclusions

- This tax credit is not available to businesses that receive a PPP loan from the SBA

Source:

CARES Act, Title II, Subtitle C, Section 2301, <https://www.congress.gov/bill/116th-congress/house-bill/748/text>

Option

2

Businesses can defer certain payroll taxes for the remainder of the year to have access to more capital

Eligibility

- Employers of any size and self-employed individuals can defer payment of the employer's share of the **6.2%** Social Security tax from March 27, 2020 until December 31, 2020

Terms

- This deferred tax can be paid back to the government over the following **two years**: half can be paid by December 31, 2021 and the other half by December 31, 2022

Exclusions

- This credit is not available to businesses that receive PPP loan forgiveness from the SBA

Source:

CARES Act, Title II, Subtitle C, Section 2302, <https://www.congress.gov/bill/116th-congress/house-bill/748/text>

Option

3

Companies that **continue to make charitable donations** during the crisis and through the end of 2020 are able to deduct **25% of the contribution**, an **increase over the current 10%** legal limit

Source:

CARES Act, Title II, Subtitle B, Section 2205, <https://www.congress.gov/bill/116thcongress/house-bill/748/text>



Benefits to Individual Consumers

There are several benefits that the CARES Act provides directly to individuals that businesses may reference to help inform their employees, including:

- **Additional unemployment benefits**
\$600 per week for four months, in addition to unemployment benefits provided by the state in which the individual resides
- **Recovery rebates to individuals**
\$1,200 from the U.S. Treasury Department to individuals making up to \$75K per year (\$2,400 to married couples making up to \$150K per year) and an additional \$500 for each child 17 and under
- **Penalty-free retirement withdrawals**
From employer-sponsored retirement plans of up to \$100K for the remainder of the year
- **Individuals can receive up to \$5,250**
From their employer until the end of the year toward student loan repayment and the amount will not be considered additional income for the employee
- **A tax credit for 100% on charitable contributions**
Individuals can make charitable contributions and receive 100% of the contribution amount for the remainder of the year
- **Student loan deferment**
Individuals can defer student loan payments, principal and interest until September 30, 2020 without penalty for all federally-owned loans
- **Foreclosure delay**
Individuals with a federally-backed mortgage loan can receive up to 180 days of forbearance, (foreclosure delay) starting March 18, 2020 until May 18, 2020

Source:

CARES Act, <https://www.congress.gov/bill/116th-congress/house-bill/748/text>