

Latest COVID-19 Policies and Options for Small Businesses

On Friday, March 27, Congress passed, and the President signed, a third relief package in response to the COVID-19 pandemic. The new law, called the CARES Act, includes a number of resources for small businesses. Below is some information to help you understand what assistance may be soon be available to you, and assistance available through the two prior relief legislations.

Please note that this is general information based on our best knowledge as of March 27, 2020. Many details are not available yet. Please refer to federal and state agencies to confirm your eligibility and receive regular updates.

Wherever possible we have included links to key agencies that have or will have the most up-to-date information.

Main Street Alliance is continuing to advocate for more support for small business.

Federal Loan and Grant Programs

Economic Injury Disaster Loans & Emergency Economic Injury Grants

Prior COVID-19 stimulus legislation expanded the SBA disaster loan program to cover COVID-19 affected businesses in states that had declared a state emergency. The CARES Act extends the disaster designation to the entire country.

The CARES Act also broadens the program in several ways:

- Tribal businesses, cooperatives, ESOP's, and nonprofits are now eligible
- Less stringent eligibility requirements:
 - Personal guarantee on advances and loans under \$200,000 waived
 - Don't need to have been denied credit elsewhere
 - Don't need to be in business for one year
 - Credit score or alternative used to determine ability to pay

Terms of Economic Injury Disaster Loans:

- Up to \$2 million with interest rates up to 3.75% (companies) or 2.75% (nonprofits)
- Principal and interest deferment up to 4 years
- Can be used for expenses that could have been met had the disaster not occurred, including payroll and other operating expenses

For more information on the disaster loan program, [click here](#). You can [apply online here](#).

There has been a backlog of requests for loans. Keep trying! They are adding new resources to process applications, and prioritizing moving loans of \$25,000 and under quickly.

The bill also provides **grants of up to \$10,000** for small businesses that apply for EIDLs.

Types of businesses eligible for grants:

- Small businesses (500 or fewer employees)
- Private nonprofit organizations
- Sole proprietors & independent contractors
- Tribal businesses
- Cooperatives and employee-owned businesses

Grant can be used for:

- Employee sick leave
- Payroll
- Increased production costs because of supply chain disruption
- Rent, mortgage, or other business obligations

Application process:

- You can **apply now** for disaster loan [online](#)
- Ask for advance when applying for disaster loan (SBA should have program details soon)
- Grant should be provided within three days of application
- No need to repay grant if business denied loan

Interaction with the Paycheck Protection Program (see below):

- Business with EIDL loan for COVID-19 (up to June 30) may also apply to PPP or refinance EIDL into PPP
- Emergency EIDL grant then subtracted from amount forgiven in PPP

[Paycheck Protection Program](#)

Provides 8 weeks of cash assistance through zero-fee loans with loan forgiveness (see forgiveness requirements). Lenders directed to prioritize underserved communities.

Terms of the loan:

- May borrow up to 2.5 times monthly payroll or \$10 million (whichever is less)
- No payments required for minimum of 6 months and up to 1 year
- Maximum 4% interest rate
- Waives personal guarantee and collateral requirement
- Covered loan period runs from February 15 to June 30, 2020

Loan can be used for:

- Salaries/wages (and compensation for the self-employed and independent contractors)(not more than \$100,000 for single person)
- Health benefits
- Paid sick and family leave (except for leave covered & reimbursed under Families First)
- Mortgage interest, rent, utilities, and interest on other debt (incurred or contracts initiated as of February 15, 2020)

Forgiveness requirements:

- Full forgiveness for covered costs may be available
- HOWEVER, the amount of forgiveness will be reduced proportionally by:
 - Reduction in employees from prior year AND
 - Reduction in pay of any employee more than 25% compared to baseline compensation
- Employers who rehire workers can still receive the full loan forgiveness.

Eligibility:

- All businesses that were operational on February 15 and paid employee salaries, payroll taxes, or independent contractors
- Types of business
 - Small businesses (generally, 500 employees or fewer -- for some industries, 500 in a single location)
 - Private nonprofit organizations
 - Sole proprietors & independent contractors
 - Veterans organizations
 - Tribal businesses

Application process:

- Apply through SBA 7(a) authorized lenders (with Treasury expected to approve more lenders)
- After employer documents expenses paid, lender has 60 days to approve application for forgiveness

Interaction with Economic Injury Disaster Loan and Emergency Economic Injury Grant programs:

- Business with EIDL loan for COVID-19 (up to June 30) may also apply to PPP or refinance EIDL into PPP
- Emergency EIDL grant then subtracted from amount forgiven in PPP

Debt Relief for SBA Borrowers

Subsidizes payments on some outstanding SBA loans. For six months, SBA will cover loan payments (principal, interest, and fees) for existing SBA borrowers. This includes borrowers who take out loans within six months of bill signing.

Loans covered:

- Community Advantage
- 504
- Standard 7(a)
- Microloan products

How it works:

- Loans already on deferment will receive six months of payment by the SBA beginning with first payment after deferral period
- Loans made up until 6 months after enactment will also receive a full 6 months of loan payments by SBA

Interaction with Paycheck Protection Program:

- No debt relief for Paycheck Protection Program loans
- However, businesses can apply to PPP while receiving SBA debt relief

Some additional small business lending and assistance provisions

- Authorizes funding for Small Business Development Centers and Women's Business Centers for COVID-19-related counseling, training, and education on SBA resources
- Authorizes \$10 million in grants to Minority Business Centers and Minority Chambers of Commerce for COVID-19-related counseling, training, and education
- Requires that information on SBA resources be provided in 10 most commonly spoken languages other than English (including Mandarin, Cantonese, Japanese, and Korean)

Emergency Paid Leave

The Families First Coronavirus Response Act was passed on March 14 and goes into effect on Wednesday, April 1, 2020.

This legislation requires many employers to provide emergency sick time and paid leave to employees impacted by COVID-19 that will be refunded via advanceable tax credits.

Generally, the Act provides that covered employers must provide to all employees:

- *Two weeks paid sick leave (at full pay up to of \$511 per day) if employee is quarantined, and/or experiencing COVID-19 symptoms and seeking a medical diagnosis; or*
- *Two weeks paid sick leave (at $\frac{2}{3}$ pay up to \$200 per day) because the employee needs to care for an individual subject to quarantine (or care for a child under 18 years of age) whose school or child care provider is closed or unavailable for reasons related to COVID-19,*

Generally, a covered employer must provide to employees that it has employed for at least 30 days:

- *Up to an additional 10 weeks of paid expanded family and medical leave at two-thirds the employee's regular rate of pay where an employee is unable to work due to a bona fide need for leave to care for a child whose school or child care provider is closed or unavailable for reasons related to COVID-19.*

Employers receive 100% reimbursement for paid leave pursuant to the Act.

- Paid leave for employees
- Health insurance costs are also included in the credit.
- Employers face no payroll tax liability.
- Self-employed individuals receive an equivalent credit.
- Eligible employers who pay qualifying sick or child care leave will be able to retain an amount of the payroll taxes equal to the amount of qualifying sick and child care leave that they paid, rather than deposit them with the IRS.
- The payroll taxes that are available for retention include withheld federal income taxes, the employee share of Social Security and Medicare taxes, and the employer share of Social Security and Medicare taxes with respect to all employees.
- If there are not sufficient payroll taxes to cover the cost of qualified sick and child care leave paid, employers will be able file a request for an accelerated payment from the IRS. The IRS expects to process these requests in two weeks or less. The details of this new, expedited procedure will be announced any day
- More information on filing here [IRS site with information](#).
- The CARES act makes an important improvement and Authorizes advanced tax credit from the Treasury instead of waiting to be reimbursed for the cost of providing paid sick days and paid leave.
- Labor will focus on compliance assistance during the first 30-day period.

Recent Updates clarify:

- **Furloughed employees** are not eligible for this leave - but may be eligible for UI
- **Businesses that close prior to April 1st** are not required to provide this benefit
- **Small businesses with fewer than 50 employees will be eligible for an exemption** from the leave requirements relating to school closings or child care unavailability where the requirements would jeopardize the ability of the business to continue. The exemption will be available on the basis of simple and clear criteria that make it available in circumstances involving jeopardy to the viability of an employer's business as a going concern. Labor will provide emergency guidance and rulemaking to clearly articulate this standard.
- The CARE Act adds a provision clarifying that **employees who were laid off** by their employer since March 1 and have since been rehired are eligible for the paid leave provisions, as long as they previously worked at their employer for 30 days

Here are available resources:

- [Fact Sheet for Employers - Dept of Labor](#) - overview of the program
- [Q&A - Dept of Labor](#) - detailed information for employers and employees to the
- [IRS site with information](#)
- [DoL Site with links](#) to sample posters, and other information

Unemployment Insurance Program

The CARES Act adds to unemployment insurance provisions in the second relief bill, by expanding eligibility for unemployment insurance and increasing benefits. The benefit increase will bring workers up to 100% of wage **on average**. This increase is intended to encourage people to stay home as required for public health.

We are seeking to clarify whether small business owners (other than the self-employed) are themselves eligible for any of these programs.

New Unemployment Insurance Programs

Pandemic Unemployment Compensation

- Additional \$600 a week on top of usual calculated benefit
- Available to recipients of both regular unemployment insurance and Pandemic Unemployment Assistance
- Available from when the bill is signed through July 31, 2020
- Does not count against eligibility for Medicaid or Children's Health Insurance Program
- States participating in program cannot reduce maximum weeks of unemployment insurance and receive federal funding to waive one-week waiting period

* This benefit does not appear to exclude people who are unemployed for a reason other than the COVID-19 pandemic. **However**, we are working to confirm.

Pandemic Emergency Unemployment Compensation

- Additional 13 weeks of state unemployment insurance
- Must be activity looking for work, but states required to provide flexibility for people who are ill, quarantined, or restricted in movement due to COVID-19
- States participating in program cannot reduce maximum weeks of unemployment insurance and receive federal funding to waive one-week waiting period

Pandemic Unemployment Assistance

PUA provides benefits for up to 30 weeks (retroactive from Jan 29, 2020 and until December 31) for workers not normally eligible for state unemployment insurance. Individuals who had upcoming contracts or other employment suspended can apply under this program.

Groups covered:

- Self-employed, freelancers, and independent contractors
- Workers seeking part-time work
- Workers whose work history is too short to qualify for state unemployment

Eligibility:

- Partially or fully unemployed
- Unable to work for a COVID-19-related reason (legislation includes broad list)
- Not able to telework for pay
- Not receiving paid sick days or paid leave
- And unfortunately, must be authorized to work, so undocumented workers will not qualify

Short-Time Compensation (Work-Sharing)

- Helps employers avoid layoffs
- Provides partial benefits for workers put on part-time schedules
- Federal government will fully reimburse states for qualifying programs

Interaction with paid leave

An employee is not eligible for paid leave and unemployment compensation for the same time period.

A self-employed person **may not** collect both unemployment insurance **and** the lost wages refundable tax credit for the same time period under the Families First Coronavirus Response Act.

For more details on these unemployment insurance programs, see this [fact sheet from the National Employment Law Project](#) and [this explainer from the House Ways & Means Committee](#).

Putting all the Pieces Together

1. Understand each option, do your own analysis.
2. Think about possible sequencing to stack options for overall plan and/or individual staff

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	Emergency Paid Leave	UI	EDLI grant	Payroll Protection
On staff	X		X	X
Reduced hours	X	(X)	X	
Furlough		X	X	
Laid off		X	X	
Rehire	X		X	X
Close		X		