The programs and initiatives in the Coronavirus Aid, Relief and Economic Security (CARES) Act that was just passed by Congress are intended to assist business owners with whatever needs they have right now. When implemented, there will be many new resources available for small businesses, as well as certain non-profits and other employers. This guide provides information about the major programs and initiatives that will soon be available from the Federal Government in tandem with the Small Business Administration (SBA) to address these needs, as well as some additional tax provisions that are outside the scope of SBA.

Available Types of Assistance for Small Business Owners from the CARES Act are explained in detail in the following pages.
PAYCHECK PROTECTION PROGRAM (PPP) LOANS

The Paycheck Protection Program, one of the largest sections of the CARES Act, is the most important provision in the new stimulus bill for most small businesses. This new program sets aside $350 billion in government-backed loans, and it is modeled after the existing SBA 7(a) loan program many businesses already know.

The program would provide cash-flow assistance through 100 percent federally guaranteed loans to employers who maintain their payroll during this emergency. If employers maintain their payroll, the loans would be forgiven, which would help workers remain employed, as well as help affected small businesses and our economy snap-back quicker after the crisis.

PPP has a host of attractive features, such as:
- forgiveness of up to 8 weeks of payroll based on employee retention and salary levels,
- no SBA fees and
- at least six months of deferral with maximum deferrals of up to a year.

Small businesses and other eligible entities will be able to apply if they were harmed by COVID-19 between February 15, 2020 and June 30, 2020. This program would be retroactive to February 15, 2020, in order to help bring workers who may have already been laid off back onto payrolls.

***Loans are available through June 30, 2020 or until the $350 billion appropriation runs out.
ECONOMIC INJURY DISASTER LOANS & EMERGENCY ECONOMIC INJURY GRANTS

Earlier this month the Federal Government and Governor Whitmer worked together to make available Economic Injury Disaster Loans to small businesses across our state. These loans provide low interest capital access for millions of businesses across the country.

The CARES Act made a few changes to these loans including:

- availability for ESOPs, non-profit organizations, and sole proprietors or independent contractors.

In addition to those changes the CARES Act expanded the federal government’s assistance by including Emergency Economic Injury Grants. These grants provide an emergency advance of up to $10,000 to small businesses and private non-profits harmed by COVID-19 within three days of applying for an SBA Economic Injury Disaster Loan (EIDL).

To access the advance, you first apply for an EIDL and then request the advance. The advance does not need to be repaid under any circumstance, and may be used to keep employees on payroll, to pay for sick leave, meet increased production costs due to supply chain disruptions, or pay business obligations, including debts, rent and mortgage payments.
SMALL BUSINESS DEBT RELIEF PROGRAM

This program will provide immediate relief to small businesses with non-disaster SBA loans, in particular 7(a), 504, and microloans. Under it, SBA will cover all loan payments on these SBA loans, including principal, interest, and fees, for six months. This relief will also be available to new borrowers who take out loans within six months of the President signing the bill into law.

COUNSELING & TRAINING

If you, like many small business owners, need a business counselor to help guide you through this uncertain time, you can turn to your local Small Business Development Center (SBDC) or Women’s Business Center (WBC). These resource partners, and the associations that represent them, will receive additional funds to expand their reach and better support small business owners with counseling and up-to-date information regarding COVID-19. There will soon be a joint platform that consolidates information and resources related to COVID-19 in order to provide consistent, timely information to small businesses. To find a local resource partner, visit www.sba.gov/local-assistance/find/.
Employee Retention Credit for Employers Subject to Closure or Experiencing Economic Hardship

This provision would provide a refundable payroll tax credit for 50 percent of wages paid by eligible employers to certain employees during the COVID-19 crisis. The credit is available to employers, including non-profits, whose operations have been fully or partially suspended as a result of a government order limiting commerce, travel or group meetings. The credit is also provided to employers who have experienced a greater than 50 percent reduction in quarterly receipts, measured on a year-over-year basis.

Wages of employees who are furloughed or face reduced hours as a result of their employer’s closure or economic hardship are eligible for the credit. For employers with 100 or fewer full-time employees, all employee wages are eligible, regardless of whether an employee is furloughed. The credit is provided for wages and compensation, including health benefits, and is provided for the first $10,000 in wages and compensation paid by the employer to an eligible employee.

Wages do not include those taken into account for purposes of the payroll credits for required paid sick leave or required paid family leave, nor for wages taken into account for the employer credit for paid family and medical leave (IRC sec. 45S).

- The credit is not available to employers receiving assistance through the Paycheck Protection Program. The credit is provided through December 31, 2020.
SMALL BUSINESS TAX PROVISIONS CONT.

Delay of Payment of Employer Payroll Taxes

This provision would allow taxpayers to defer paying the employer portion of certain payroll taxes through the end of 2020, with all 2020 deferred amounts due in two equal installments, one by the end of 2021, the other by the end of 2022. Payroll taxes that can be deferred include the employer portion of FICA taxes, the employer and employee representative portion of Railroad Retirement taxes (that are attributable to the employer FICA rate), and half of SECA tax liability.

- Deferral is not provided to employers receiving assistance through the Paycheck Protection Program.
Q: What types of businesses and entities are eligible for a PPP loan?
A:
- Businesses and entities must have been in operation on February 15, 2020.
- Small business concerns, as well as any business concern, a 501(c)(3) nonprofit organization, a 501(c)(19) veterans organization, or Tribal business concern described in section 31(b)(2)(C) that has fewer than 500 employees, or the applicable size standard in number of employees for the North American Industry Classification System (NAICS) industry as provided by SBA, if higher.
- Individuals who operate a sole proprietorship or as an independent contractor and eligible self-employed individuals.
- Any business concern that employs not more than 500 employees per physical location of the business concern and that is assigned a NAICS code beginning with 72, for which the affiliation rules are waived.
- Affiliation rules are also waived for any business concern operating as a franchise that is assigned a franchise identifier code by the Administration, and company that receives funding through a Small Business Investment Company.

Q: How is the loan size determined?
A: Depending on your business’s situation, the loan size will be calculated in different ways (see below). The maximum loan size is always $10 million.

- **If you were in business February 15, 2019 – June 30, 2019:** Your max loan is equal to 250 percent of your average monthly payroll costs during that time period. If your business employs seasonal workers, you can opt to choose March 1, 2019 as your time period start date.
- **If you were not in business between February 15, 2019 – June 30, 2019:** Your max loan is equal to 250 percent of your average monthly payroll costs between January 1, 2020 and February 29, 2020.
- **If you took out an Economic Injury Disaster Loan (EIDL) between February 15, 2020 and June 30, 2020 and you want to refinance that loan into a PPP loan, you would add the outstanding loan amount to the payroll sum.**

Q: What costs are not eligible for payroll?
A:
- Employee/owner compensation over $100,000
- Taxes imposed or withheld under chapters 21, 22, and 24 of the IRS code
- Compensation of employees whose principal place of residence is outside of the U.S.
- Qualified sick and family leave for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act
Q: What are allowable uses of loan proceeds?
A: 
- Payroll costs (as noted above)
- Costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums
- Employee salaries, commissions, or similar compensations (see exclusions above)
- Payments of interest on any mortgage obligation (which shall not include any prepayment of or payment of principal on a mortgage obligation)
- Rent (including rent under a lease agreement)
- Utilities
- Interest on any other debt obligations that were incurred before the covered period

Q: What are the loan term, interest rate and fees?
A: For any amounts not forgiven, the maximum term is 2 years, the maximum interest rate is 1%, zero loan fees, zero prepayment fee (SBA will establish application fees caps for lenders that charge).

Q: How is the forgiveness amount calculated?
A: Forgiveness on a covered loan is equal to the sum of the following payroll costs incurred during the covered 8 week period compared to the previous year or time period, proportionate to maintaining employees and wages (excluding compensation over $100,000):
- Payroll costs plus any payment of interest on any covered mortgage obligation (not including any prepayment or payment of principal on a covered mortgage obligation) plus any payment on any covered rent obligation plus any covered utility payment.

Q: How do I get forgiveness on my PPP loan?
A: You must apply through your lender for forgiveness on your loan. In this application, you must include:
- Documentation verifying the number of employees on payroll and pay rates, including IRS payroll tax filings and State income, payroll and unemployment insurance filings.
- Documentation verifying payments on covered mortgage obligations, lease obligations, and utilities.
- Certification from a representative of your business or organization that is authorized to certify that the documentation provided is true and that the amount that is being forgiven was used in accordance with the program’s guidelines for use.

Q: How does the PPP loan work with the temporary Emergency Economic Injury Grants and the Small Business Debt Relief program?
A: Emergency Economic Injury Grant and Economic Injury Disaster Loan (EIDL) recipients and those who receive loan payment relief through the Small Business Debt Relief Program may apply for and take out a PPP loan as long as there is no duplication in the uses of funds. Refer to those sections for more information.

Q: How does the PPP loan coordinate with SBA’s existing loans?
A: Borrowers may apply for PPP loans and other SBA financial assistance, including Economic Injury Disaster Loans (EIDLs), 7(a) loans, 504 loans, and microloans, and also receive investment capital from Small Business Investment Corporations (SBICs). However, you cannot use your PPP loan for the same purpose as your other SBA loan(s). For example, if you use your PPP to cover payroll for the 8-week covered period, you cannot use a different SBA loan product for payroll for those same costs in that period, although you could use it for payroll not during that period or for different workers.

SOURCE
U.S. Senate Committee on Small Business & Entrepreneurship