

HELP FOR SMALL BUSINESSES - COVID-19

GREATER PHILADELPHIA

The CARES Act (Coronavirus Aid, Relief & Economic Security)

\$300B direct payments to individuals and families

\$350B Small business forgivable loans

\$470B Loans to states, municipalities, Fed loan program

\$250B Unemployment insurance enhancement

\$220B Tax benefits and deferrals

\$150B Direct aid to states

\$120B Aid to hospitals

\$280B Other (airlines, public transit & other)

\$2.1T Total US Government fiscal stimulus

The CARES Act includes a financial lifeline for small businesses, sole proprietors and self-employed individuals, especially those trying to manage payroll and other costs associated with their businesses.

Payroll Protection Program Overview

Most significantly, the bill creates the Payroll Protection Program, a loan program to be administered by the Small Business Administration (SBA). The application is available through the SBA website. A small business should contact its bank to submit the application and supporting documentation.

Eligible entities may seek a loan for up to 2 ½ months of payroll and other costs. The law requires applicants to make a “good faith certification” as to eligibility. Further, the legislation includes provisions for loan forgiveness based on a formula relating to the number of individuals employed by the business during the loan period. Eligibility requirements are detailed in the legislation.

The CARES Act also includes a “Sense of the Senate” statement that instructs the SBA to provide “guidance to lenders to ensure that the processing and disbursement of covered loans prioritizes small business concerns and entities in underserved and rural markets, veterans and members of the military community.” This may position some business owners further ahead in line and others further back.

Payroll Protection Program Background

- 100% US Gov (SBA) guaranteed forgivable loans
- Purpose – Help small businesses retain or rehire workers (financial support with workers at home – beat Covid-19)
- Approved by US government on March 27, 2020
- SBA writing rules and guidelines now (detail coming)
- Will be distributed by banks, credit unions, other lenders
- Timing on availability of loans - ?

Payroll Protection Program Highlights

- Covered period: February 15, 2020 through June 30, 2020
- Interest rate cannot exceed 4%
- No personal guarantee or collateral required
- No prepayment penalty
- Complete payment deferring for at least six months and no more than a year
- Each eligible recipient is assumed to be an “impacted borrower” (no requirement to prove)
- Establishes maximum SBA 7(a) loan amount tied to previous 12-month payroll expenses incurred by the business
- Increases the government guarantee of SBA 7(a) loans to 100% through Dec. 31, 2020. After that, guarantee percentages are 75% for loans exceeding \$150,000 and 85% for loans equal to or less than \$150,000
- Provides an authorization level for the SBA 7(a) program of \$349 billion through December 31, 2020

Payroll Protection Program Eligibility

- Small businesses – Corporations, S-Corps, LLCs
- Sole Proprietors, Independent contractors (w/verification)
- Small – must have < 500 employees
- Employees include consultants & independent contractors
- Must be in business as of February 15, 2020
- Affiliation Rules for control apply unless waived - ?

Payroll Protection Program Loan Amount Calculation – maximum amount (lesser of)

- Maximum amount (lesser of) \$10,000,000 **OR**
- Average monthly payroll costs for the past 12 months x 2.5
 - Costs included:
 - Salaries, wages, commissions, tips (or equivalent)
 - Paid vacation, parental, family medical sick leave
 - Health care and retirement benefits
 - Payments to consultants or 1099 contractors can be included
 - State and local payroll taxes
 - Must exclude pay over \$100,000 to any employee

- **Allowable use of loan proceeds:** Payroll costs – salaries, commissions, wages etc.; Health insurance benefits; Interest on mortgages (not principal, monthly payments, no refinancing); Rent; Utilities; Interest on other debt (loan originated before 2/15/20)

The CARES Act also includes:

- **Loan forgiveness:** The borrower is eligible for loan forgiveness equal to the amount spent by the borrower in the eight-week period following the origination date of the loan on payroll costs, utility costs, and interest payments on mortgages or rent payments prior to Feb. 15, 2020. The amount of loan forgiveness partially depends on if there was a reduction in employees as a result of the COVID-19 shutdown.
 - Forgiveness amount - eligible costs, first 8 weeks post-close
 - Expenses included in loan forgiveness amount – payroll costs, interest (not principal) on debt, rent, utilities (electric, gas, water, telephone, internet, transportation)
 - Subtract from forgiveness amount - # of reduced employees and reduction of pay per employee > 25% compared to prior year or prior months period
 - Not penalized for workers hired back by June 30, 2020
 - Loan forgiveness amount is not taxable
- **Emergency economic injury disaster loans** for organizations with fewer than 500 employees. Grants and loans are not to be used together, so you will need to decide which method might work best to make your businesses whole.
- **Retirement account distributions:** The CARES Act allows for a temporary minimum distribution for certain defined contribution plans and IRAs until December 31, 2020.
- **Exclusion for certain employer payments of student loans:** Employers may provide for a small business loan payment on a tax-free basis through the 2020 calendar year.
- **Deferring Social Security tax payments:** Employers and self-employed individuals may defer payment of the employer share of the Social Security tax, or 6.2% tax on employee wages. Deferred payment can be paid in two payments by December 31, 2020.
- **Tax relief:** The CARES Act modifies provisions for net operating losses to amend the tax years of 2018, 2019 and 2020 to be carried back five years.

GREATER PHILADELPHIA AREA COVID-19 FUNDS

Bucks County

- [Bucks County COVID-19 Recovery Fund](#) at United Way of Bucks County

Chester County

- [Chester County COVID-19 Response Fund](#) at United Way of Chester County
- [COVID-19 Rapid Response Fund](#) at Chester County Community Foundation
- [Healthcare & Economic Relief Impact Fund Greater Coatesville](#) at Brandywine Health Foundation
- [COVID-19 Relief Fund](#) at Phoenixville Community Health Foundation

Delaware County

- [Delaware County COVID-19 Response Fund](#) at the Foundation for Delaware County

Montgomery County

- [The MontCoPA COVID-19 Response Fund](#) at the Montgomery County Foundation

Philadelphia

- [PHLCovid19Fund.org](#) | #PHLCOVID19FUND at The Philadelphia Foundation and United Way

Southern New Jersey

- [South Jersey COVID-19 Response Fund](#) at the Community Foundation of South Jersey

GREATER PHILADELPHIA AREA PROGRAMS & RESOURCES FOR BUSINESSES

- [Pennsylvania COVID-19 Working Capital Access Program](#) administered by the Pennsylvania Industrial Development Authority (PIDA)
- [Philadelphia COVID-19 Small Business Relief Fund](#) at The Philadelphia Department of Commerce and PIDC
- [Chamber of Commerce COVID Crisis Support for Businesses Page](#)
- [PIDC's COVID Resources for Businesses](#)
- [LISC Rapid Relief and Resiliency Fund](#) provides immediate and longer-term resources
- Local impact businesses communities like [Shift Capital](#) and the [Circle of Aunts and Uncles](#) are providing platforms to help local businesses generate revenue.

OTHER RESOURCES FOR SMALL BUSINESSES

Pennsylvania

- [DCED Covid-19 Working Capital Access Program](#)

National

- SBA (US Small Business Administration): [EIDL \(Economic Injury Disaster Loan\) Program and Small Business Guidance & Loan Resources](#)
- [Duke's COVID Capital Relief Resource Database](#) A comprehensive, searchable database of grants, loans, and other cash equivalents (broken down by geography) that can help entrepreneurs, nonprofits, and businesses
- [SOCAP's List of Resources to Support Social Entrepreneurs](#) during the COVID-19 Crisis
- [Open Road Alliance](#) is offering grants, loans, and investments for emergency capital.
- [Facebook \\$100M Grant Program for Small Businesses](#) offers cash grants that can be spent on operational costs like paying workers and paying rent.