



SBA Coronavirus Loan Products Compared 3/31/2020



Agenda

CARES Act Small Business Provisions:

- Paycheck Protection Program (PPP)
- Economic Injury Disaster Loans (EIDL)
- Small Business Debt Relief Program



Paycheck Protection Program

Provides funding to:

1. Help small business cover their near-term operating expenses related to the coronavirus crisis
2. Provide a strong incentive for employers to retain their employees

Other features:

- Loan forgiveness of up to 8 weeks of payroll based on employee retention and salary levels
- No SBA fees
- At least six months of deferral with maximum deferrals of up to a year.



PPP Eligibility

- Small business concerns with fewer than 500 employees
- 501(c)(3) nonprofit organizations
- a 501(c)(19) veterans organizations
- Tribal business concerns described in section 31(b)(2)(C)
- Individuals who operate a sole proprietorship or as an independent contractor and eligible self-employed individuals
- Some Franchises will qualify - see

<https://www.sba.gov/sites/default/files/2020-03/FrnchsTbl-03312020-UPLOAD.pdf>



PPP Loan Uses

- Payroll costs (with some restrictions)
- 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
- 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



Terms

- \$10M maximum loan amount
- 0.5% interest
- 2 year maturity
- Administered by SBA Lender banks or other federally approved lender
- No prepayment penalties
- Payments can be deferred up to 12 months.



How Is the Loan Size Determined

- Maximum loan = 250% of average monthly payroll costs for 2019, excluding costs over \$100,000 on an annualized basis for each employee.
- If you are a seasonal business you can elect to use average monthly payroll between February 15, 2019 – June 30, 2019 for calculations.
- New businesses should use January 1, 2020 and February 29, 2020 for calculations, excluding costs over \$100,000 on an annualized basis for each employee.

Eligible Payroll Costs

- Compensation (salary, wage, commission, or similar compensation, payment of cash tip or equivalent)
- Payment for vacation, parental, family, medical, or sick leave
- Allowance for dismissal or separation
- Payment required for the provisions of group health care benefits, including insurance premiums
- Payment of any retirement benefit
- Payment of State or local tax assessed on the compensation of employees

Ineligible Payroll Costs

- Employee/owner compensation over \$100,000
- Taxes imposed or withheld under chapters 21(FICA), 22 (Railroad Retirement Tax), and 24 (income tax withholding) 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*

Application Documentation Needed

- Employee wages for the last 12 months, including owner – contact your payroll provider for the report. Include:
 - paid time off, vacation, sick pay, family medical pay, etc. All of this is eligible to be included. The more you can show the better, as this will increase the loan amount.
- Withholding for state and local taxes on employee compensation
- 1099s paid to independent contractors

Application Documentation Needed (cont.)

- Documentation showing how much, you, the employer paid in employee group health insurance premiums for the past 12 months. Your insurance company should be able to provide this.
 - Documentation showing the amount of retirement plan funding the employer made for employees over the past 12 months
 - Profit sharing 401(k) plans
 - Cash balance plans
 - SIMPLE and
 - SEP IRAs
- *** Employees' own 401(k) salary deferrals won't count for these purposes).



Forgiveness Process

You must apply through your lender for forgiveness on your loan. With this application, you will need to 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.



EIDL

Overview:

- Provide working capital loans for business injury related to the coronavirus (keeps the business in business)
- These working capital loans may be used to pay fixed debts, payroll, accounts payable, and other bills that could have been paid had the disaster not occurred.

Other features:

- Has option for a \$10,000 advance (forgiven)
- 12 months payment deferral

EIDL Eligibility

- Small business with not more than 500 employees
- Individual who operates under a sole proprietorship, with or without employees, or as an independent contractor
- Cooperative with not more than 500 employees
- Employee Stock Ownership Plan (ESOP) with no more than 500 employees
- Tribal small business concern
- Agricultural cooperative, aquaculture enterprise, nursery that is small under SBA size guidelines
- Businesses over 500 employees that are small under SBA size guidelines
- Private non-profit that is a non-governmental agency operating under section 501 (c), (d), or (e) of the IRS Code.

EIDL Loan Uses

- Fixed expenses related to injury related to coronavirus
 - Employee salaries
 - Paid sick/medical leave
 - Insurance premiums
 - Mortgage
 - Rent
 - Utilities payments

Terms

- \$2M maximum loan amount
- 3.75% for small businesses
- 2.75% for non-profits
- Administered by SBA with online application
- No prepayment penalties
- Payment can be deferred for 12 months

Forgiveness

Request for \$10,000 advance (not requiring repayment) is included in new streamlined application

I would like to be considered for an advance of up to \$10,000.

Where to Send Funds

Bank Name *

Account Number *

Routing Number *



How to Apply

Online at:




<https://www.sba.gov/funding-programs/disaster-assistance>

View instructional video at:

<https://sbdctec.com/resources-for-businesses-during-corona-virus-crisis/>






	SBA Economic Injury Disaster Loan	Paycheck Protection Program
Description	“To keep business in business”	Help small businesses cover near term expenses and keep employees working
Eligible businesses	Small business with fewer than 500 employees, private non profits	Small businesses with fewer than 500 employees, 501(c)3, 501(c)19 or tribal business
Maximum loan amount	Up to \$2M	Up to \$10M
Terms	3.75% (2.75% NFP), up to 30 years	0.5%, up to 2 years
Administered by	SBA	SBA approved lenders
Allowable uses of funds	Employee salaries, paid sick/medical leave, insurance premiums, mortgage, rent and utilities payments.	Payroll costs, health care benefits, salaries, commission, interest on mortgage, rent and utilities payments, interest on other debt obligations
Available loan forgiveness	Forgiveness on \$10,000 advance	Loan forgiveness of up to 8 weeks of payroll based on employee retention and salary levels
Prepayment penalties	None	None
Deferred payment timeline	Up to 12 months	6-12 months

Small Business Relief Program

- Provides immediate relief to small businesses with non-disaster SBA loans, in particular 7(a), 504, and microloans.
- 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.
- Not all details are available yet.

Questions?

Contact your nearest SBDC

- **Ohio** - <https://clients.ohiosbdc.ohio.gov/Mapresults.aspx?showall=y&groupby=area&hideeventonly=y>
- **Nationally** - <https://americassbdc.org/small-business-consulting-and-training/find-your-sbdc/>





H.R. 6201, FAMILIES FIRST CORONAVIRUS RESPONSE ACT
Title-By-Title Summary

The legislation guarantees free coronavirus testing, establishes paid leave, enhances Unemployment Insurance, expands food security initiatives, and increases federal Medicaid funding.

**DIVISION G – Tax Credits For Paid Sick And Paid Family And Medical
Leave**

Prepared by the Democratic staff of the House Committee on Ways and Means

Section 7001. Payroll Credit for Required Paid Sick Leave. This section provides a refundable tax credit equal to 100 percent of qualified paid sick leave wages paid by an employer for each calendar quarter.

The tax credit is allowed against the tax imposed by section 3111(a) (the employer portion of Social Security taxes). Qualified sick leave wages are wages required to be paid by the Emergency Paid Sick Leave Act.

The section makes a distinction between qualified sick leave wages paid with respect to employees who must self-isolate, obtain a diagnosis, or comply with a self-isolation recommendation with respect to coronavirus. For amounts paid to those employees, the amount of qualified sick leave wages taken into account for each employee is capped at \$511 per day. For amounts paid to employees caring for a family member or for a child whose school or place of care has been closed, the amount of qualified sick leave wages taken into account for each employee is capped at \$200 per day. The aggregate number of days taken into account per employee may not exceed the excess of 10 over the aggregate number of days taken into account for all preceding calendar quarters.

If the credit exceeds the employer's total liability under section 3111(a) for all employees for any calendar quarter, the excess credit is refundable to the employer. Employers may elect to not have the credit apply. To prevent a double benefit, no deduction is allowed for the amount of the credit. In addition, no credit is allowed with respect to wages for which a credit is allowed under section 45S.

The Secretary of the Treasury is given broad authority to issue regulations and guidance necessary to carry out the purposes of the section, including regulations and guidance related to avoidance, penalty waivers with respect to deposit amounts, compliance and record-keeping relief, and benefit recapture. The Social Security OASDI trust funds are held harmless by transferring funds from the General Fund. The section applies only to wages paid with respect to the period beginning on a date selected by the Secretary of the Treasury (or the Secretary's delegate) which is during the 15-day period beginning on the date of the enactment of this Act, and ending on December 31, 2020.

Section 7003. Payroll Credit for Required Paid Family Leave. This section provides a refundable tax credit equal to 100 percent of qualified family leave wages paid by an employer for each calendar quarter.

The tax credit is allowed against the tax imposed by section 3111(a) (the employer portion of Social Security taxes). Qualified family leave wages are wages required to be paid by the Emergency Family and Medical Leave Expansion Act.

The amount of qualified family leave wages taken into account for each employee is capped at \$200 per day and \$10,000 for all calendar quarters. If the credit exceeds the employer's total liability under section 3111(a) for all employees for any calendar quarter, the excess credit is refundable to the employer.

Employers may elect to not have the credit apply. To prevent a double benefit, no deduction is allowed for the amount of the credit. In addition, no credit is allowed with respect to wages for which a credit is allowed under section 45S.

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