

## **Article Summary**

- The President has signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law, delivering \$2 trillion of assistance to U.S. businesses and individuals.
- Small businesses will be able to get assistance through the Small Business Administration (SBA).
- There are other interim steps small business owners can take beyond the CARE Act.

## **Main Article**

While coronavirus-related shutdowns are causing economic turmoil across the board, small-business owners and their employees have been among the hardest hit financially. Millions of people are suddenly unsure of how long they'll be idle and where they can turn for financial help.

Here is what you need to know.

### **Loan Assistance in a Federal Stimulus Package**

The President has signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law, delivering \$2 trillion of assistance to U.S. businesses and individuals. The wide-ranging bill includes billions of dollars in loan assistance to smaller companies—with up to 500 employees—that continue to pay their workers during the coronavirus crisis.

As the Act is written now, small businesses can get assistance through the Small Business Administration (SBA) in two ways:

- Emergency funding through an Economic Injury Disaster Loan (EIDL)
- A Small Business Administration Loan to cover costs through June 30, 2020, which includes loan forgiveness through the Paycheck Protection Program.

Both loans enable businesses to maintain payroll, provide paid sick leave to employees, meet increased costs to obtain materials, make rent or mortgage payments, and repay unmet obligations due to revenue losses.

## **EIDL**

The CARES Act establishes emergency funding to allow a small business that has applied for an EIDL loan due to COVID-19 to request an advance on that loan. The amount cannot be more than \$10,000, which the SBA must distribute within three days. Applicants shall not be required to repay advance payments, even if they are subsequently denied for an EIDL loan.

## **Small Business Administration Loan**

Small businesses would qualify for loans equal to 250% of their average monthly payroll\* up to \$10 million. Companies will be eligible for loan forgiveness through the Paycheck Protection Program for an amount equal to the cost of maintaining their payroll during the covered period of February 15, 2020 – June 30, 2020. The program would provide 8 weeks of cash-flow assistance through federally guaranteed loans to small employers who maintain their payroll during this emergency. If the employer maintains its payroll, then the portion of the loan used for covered expenses would be forgiven.

Loans would be available to small businesses immediately through more than 800 existing Small Business Administration certified lenders, which include banks, credit unions, and other financial institutions. The program would allow for automatic deferment of payments for one year, and no prepayment penalties. All small businesses that were operational on February 15, 2020, and had employees or contractors for whom it paid salaries and payroll taxes, are eligible for the loans given that it is not feasible during this crisis for lenders to determine businesses' ability to repay the loan as they normally would.

If employees are laid off during the loan period, this will reduce the loan forgiveness amount. And the portion of the loan not forgiven is payable over a maximum of 10 years at a maximum of 4% interest.

## **Options for Managing Cash Flow**

Even though many of the financial pressures from the coronavirus pandemic are beyond their control, small-business owners can take steps to create breathing room to help weather this crisis.

Here are several interim steps to consider:

- Review options offered by the Small Business Association. There is a COVID-19 Small Business Guidance & Loan Resource center on their website, [sba.gov](https://www.sba.gov).
- Speak with your bank or lender about any assistance they may be able to offer and ask for deferment of real estate or business loan payments for at least 90 days.
- Work through an attorney to ask your landlord to defer rent or lease payments on your business space for a month or two. Some commercial building leases include a Force Majeure, or “Act of God,” provision that may allow for this type of relief.
- Furlough or lay off employees so they can qualify for unemployment benefits. To do so, there are specific steps to take:
  - Work with your attorney to draft an employment termination letter to your relevant employees. Bills passed into law typically take a week or two before action can be taken. Unemployment pay is typically around 50% of their current pay, up to a maximum amount.
  - Contact your health insurance broker and let them know what is happening in your office. A layoff may trigger a COBRA event, and your health insurance broker may advise you to call the layoff something different, such as a furlough. Many health insurance policies have “work stoppage” clauses that allow for the continuation of coverage in these types of situations, but each policy is unique.
  - Once laid off, employees can immediately file for unemployment. Visit your state unemployment agency website for details as states have special pages for COVID-19. As their employer, you may be able to file on behalf of all your employees or each individual employee may have to apply.
  - In most states, earned unused PTO is due to the employee upon layoff. Employees may be able to delay receiving this if they choose, but it varies by state. Typically, sick time is not required to be paid out, but this is also state specific. If the employee receives PTO, it can delay the receipt of unemployment benefits. You can verify this through your local unemployment agency or a local labor attorney.
  - Determine what office staff you plan to bring back on a part-time basis. Earnings from this will affect the amount of unemployment benefits they will receive. The employee will have to report this to the unemployment office. They can all be paid at their regular salary or hourly rate. They should all be paid at their regular hourly rate.

- Look into delaying 2019 tax payments. The federal government has already extended its filing and payment deadline to July 15 for individuals. This reprieve may be relevant to many pass-through entities and small businesses. Check with your tax advisor to determine if you can delay your business tax filing.

\*Covered payroll costs include salary, wages, and payment of cash tips (up to an annual rate of pay of \$100,000); employee group healthcare benefits, including insurance premiums; retirement contributions; and covered leave. To encourage employers to rehire any employees who have already been laid off due to the COVID-19 crisis, borrowers who rehire workers previously laid off can include the payroll costs for those workers to obtain a bigger loan.