

Covid Small Business Assistance Programs – What Is Best For Your Biz?

Below is a summary of the three Covid19 Small Business Assistance programs available to small businesses affected by the Covid19 outbreak prepared by IBA. The three programs have a number of differences. Check with your accountant to determine if one, or more are better for your small business.

Disclaimer: The following information a general business about a major business issues in the Washington State and this presentation does not include every requirement of every law or rule. This information is not financial advice or legal advice and should not be used as financial advice or legal advice and does not assure compliance. The reader should contact a qualified accountant and a qualified attorney for legal advice on how best to benefit the reader's small business and comply with applicable laws and rules.

<u>Type of Assistance</u>	<u>Advantages</u>	<u>Disadvantages</u>
Economic Injury Disaster Loan (EIDLs)	Up to \$2 million	Get through SBA – may be slow
	May cover more expenses than Paycheck Protection Program such as: pay fixed debts, payroll, accounts payable, and other bills that could have been paid had the disaster not occurred.	
	30 year term.	May require more documentation to be approved.
	3.75% interest rate.	May have to pay it back – See more details below.
Emergency Economic Injury Grant (EEIG)	Emergency Advance of \$10,000 within 3 days.	
Paycheck Protection Program (PPP)	Limited to 2.5 times your average monthly payroll March 2019 – June 2019. See more details below.	Limited to 2.5 times your firm's your average monthly payroll March 2019 – June 2019. See more details below.
	Forgivable – do not need to pay back If used to pay payroll to employees. See more information below.	
	Can be used to pay for employee wages, employee benefits, rent, mortgage interest, utilities,	
	Quicker to get from your bank or other local bank.	
	Interest Rate on Additional Funds 4%.	
	Can roll EIDL loan into Paycheck Protection Loan with forgiveness.	

Notice: The following information was provided by the U.S. Senate Small Business & Entrepreneurship Committee. IBA has not modified the information. Details of these programs are still being developed and rules will be adopted in the future to implement these law.

Economic Injury Disaster Loans (EIDLs):

These existed before the CARES act was passed, but what are they, generally?

- Loans are up to \$2M
- The term is 30 years
- Interest Rates are 3.75% for small business and (2.75% for non-profits)
- The first month's payments are deferred a full year from the date of the promissory note.

The CARES Act provides additional provisions not previously available:

- Prior to the CARES Act, a Pandemic Event has never been defined as a disaster used as a basis for granting EIDL benefits

Emergency Economic Injury Grants (EEIG)

An emergency ADVANCE of up to \$10,000 can be requested:

- According to the US Senate Committee on Small Business & Entrepreneurship:
 - o “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.” (Emphasis in original)

Paycheck Protection Program (PPP) for Small Businesses:

- The PPP can be applied for at any approved lending institution
 - o According to the US Senate Committee on Small Business & Entrepreneurship:
 - “There are thousands of banks that already participate in the SBA’s lending programs, including numerous community banks. You do not have to visit any government institution to apply for the program. You can call your bank or find SBA-approved lenders in your area through SBA’s online Lender Match tool: <https://www.sba.gov/funding-programs/loans/paycheckprotection-program> . You can call your local Small Business Development Center: <https://www.sba.gov/tools/local-assistance/sbdc/> or Women’s Business Center: <https://www.sba.gov/localassistance/find/?type=Women's%20Business%20Center&pageNumber=1> and they will provide free assistance and guide you to lenders.”
- Businesses are eligible for a loan if they employ 500 or fewer employees and were in existence before 2/15/2020
 - o There are also carve-outs for certain other industries, certain Tribal businesses, and certain non-profits
 - o PPP may also be available for independent contractors and gig workers
- These loans are available in an amount equal to the LESSER of either:
 - o 250% of the average monthly payroll expenses, or
 - o \$10M
- If the loans are used to cover certain expenses during the 8-week period after the business takes out the loan, the principal (in whole or in part) may be FORGIVEN
 - o The “Forgivable” PPP loan amount is intended to cover an 8-week period
 - 8-week period may be applied to any time from between 2/15/2020 and 6/30/2020
 - o In order to be FORGIVEN, PPP loan payments must be used for the following:
 - Payroll Costs (include the following),
 - Employee salaries (up to an annual rate of pay of \$100,000);
 - Hourly wages; ▪ Paid sick or medical leave; and
 - Group health insurance premiums.
 - Interest payments on mortgages,
 - Rent payments, ▪ Leases,
 - Utility service agreements
- How much of the PPP loan will be forgiven?
 - o According to the US Senate Committee on Small Business & Entrepreneurship:

- “The purpose of the Paycheck Protection Program is to help you retain your employees, at their current base pay. **If you keep all of your employees, the entirety of the loan will be forgiven. If you still lay off employees, the forgiveness will be reduced by the percent decrease in the number of employees.** If your total payroll expenses on workers making less than \$100,000 annually decreases by more than 25 percent, loan forgiveness will be reduced by the same amount. If you have already laid-off some employees, you can still be forgiven for the full amount of your payroll cost if you rehire your employees by June 30, 2020.” (Emphasis Added)
- A Note on applying for both EIDL and PPP, also from the US Senate Committee on Small Business & Entrepreneurship:
 - o “If you received an EIDL loan related to COVID-19 between January 31, 2020 and the date at which the PPP becomes available, you would be able to refinance the EIDL into the PPP for loan forgiveness purposes. However, you may not take out an EIDL and a PPP for the same purposes. Remaining portions of the EIDL, for purposes other than those laid out in loan forgiveness terms for a PPP loan, would remain a loan. If you took advantage of an emergency EIDL grant award of up to \$10,000, that amount would be subtracted from the amount forgiven under PPP.”
 - “QUESTION: If I get an EIDL and/or an Emergency Economic Injury Grant, can I get a PPP loan?
 Answer: Whether you’ve already received an EIDL unrelated to COVID-19 or you receive a COVID19 related EIDL and/or Emergency Grant between January 31, 2020 and June 30, 2020, you may also apply for a PPP loan. If you ultimately receive a PPP loan or refinance an EIDL into a PPP loan, any advance amount received under the Emergency Economic Injury Grant EEIG Program would be subtracted from the amount forgiven in the PPP. **However, you cannot use your EIDL for the same purpose as your PPP loan. For example, if you use your EIDL to cover payroll for certain workers in April, you cannot use PPP for payroll for those same workers in April, although you could use it for payroll in March or for different workers in April.**” (Emphasis Added)

Get Answers to Frequently Asked Questions from the U.S. Senate Small Business & Entrepreneurship Committee via the internet by clicking on the link below:

https://www.rubio.senate.gov/public/?_cache/files/ac3081f6-14ae-4e6f-9197-172ede28badd/71AB6CB05A08E369E0D488A80B3874A5.fags---paycheck-protection-program-fags-for-small-businesses.pdf