

CORONAVIRUS AID, RELIEF AND ECONOMIC SECURITY (CARES) ACT

SMALL BUSINESS RESOURCE GUIDE

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. The CARES Act provides approximately \$2 trillion in funding to stabilize the economy and provide broad relief to individuals and businesses directly or indirectly impacted by the COVID-19 pandemic.

On April 24, 2020, approximately \$484 billion was added to the overall CARES Act stimulus.

This guide provides information about the temporary programs now available through the Small Business Administration (SBA) to address these needs, as well as additional tax provisions that are outside the scope of SBA.

FUNDING OPTIONS

- [Paycheck Protection Program](#)
- [Small Business Debt Relief](#)
- [Economic Injury Disaster Loan](#)
- [Express Bridge Loan Pilot Program](#)

PAYCHECK PROTECTION PROGRAM (PPP)

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 the economy to recover 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 is would be retroactive to February 15, 2020, in order to help bring workers who may have already been laid off back onto payrolls. [The application will be available through June 30, 2020 or until funds are depleted.](#)

[Learn more about the Payment Protection Loan available soon through SBA.](#)

Q: [What types of businesses and entities are eligible for a PPP loan?](#)

A: The following are eligible:

- Businesses and entities must have been in operation on February 15, 2020.
- A small business with fewer than 500 employees
- A small business that otherwise meets the SBA's size standard
- A small business with maximum tangible net worth up to \$15 million and the average net income for full 2 fiscal years prior to application does not exceed \$5 million
- A 501(c)(3) with fewer than 500 employees
- An individual who operates as a sole proprietor
- An individual who operates as an independent contractor
- An individual who is self-employed who regularly carries on any trade or business
- A Tribal business concern that meets the SBA size standard
- A 501(c)(19) Veterans Organization that meets the SBA size standard

In addition, some special rules may make you eligible:

- If you are in the accommodation and food services sector (NAICS 72), the 500-employee rule is applied on a per physical location basis

- If you are operating as a franchise or receive financial assistance from an approved Small Business Investment Company the normal affiliation rules do not apply
- Small businesses that have minority shareholders (private equity or venture capital) can still qualify if those shareholders relinquish rights

Q: What types of non-profits are eligible?

A: In general, 501(c)(3) and 501(c)(19) non-profits with 500 employees or fewer as most non-profit SBA size standards are based on revenue, not employee number. You can check [here](#).

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 eligible for payroll?

A: The following are eligible:

For Employers

- 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

For Sole Proprietors, Independent Contractors, and Self-Employed Individuals:

- The net income not more than \$100,000 in one year

Q: What costs are not eligible for payroll?

A: The following are NOT eligible:

- 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: Uses of loan proceeds:

- 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: How do I apply for a PPP loan?

A: Contact your current lender first to see if they are offering the PPP loan. All current SBA 7(a) lenders are eligible lenders for PPP. See [here](#) for the list of active lenders in Sacramento County. The Department of Treasury will also be in charge of authorizing new lenders, including non-bank lenders, to help meet the needs of small business owners.

Q: What are the loan term, interest rate, and fees?

A: For any amounts not forgiven, the maximum term is 10 years, the maximum interest rate is 4%, 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 and 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: What happens after the forgiveness period?

A: Any loan amounts not forgiven are carried forward as an ongoing loan with max terms of 10 years, at a maximum interest rate of 4%. Principal and interest will continue to be deferred, for a total of 6 months to a year after disbursement of the loan. The clock does not start again.

Q: Can I get more than one PPP loan?

A: No, an entity is limited to one PPP loan. Each loan will be registered under a Taxpayer Identification Number at SBA to prevent multiple loans to the same entity.

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.

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 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.

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.

Q: Which SBA loans are eligible for debt relief under this program?

A: 7(a) loans not made under the Paycheck Protection Program (PPP), 504 loans, and microloans. Disaster loans are not eligible.

Q: How does debt relief under this program work with a PPP loan?

A: Borrowers may separately apply for and take out a PPP loan, but debt relief under this program will not apply to a PPP loan.

Q: How do I know if I'm eligible for a 7(a), 504, or microloan?

A: In general, businesses must meet [size standards](#), be based in the U.S., be able to repay, and have a sound business purpose. To check whether your business is considered small, you will need your business's 6-digit North American Industry Classification System (NAICS) code and 3-year average annual revenue. Each program has different requirements, see [here](#) for more details.

Q: What is a 7(a) loan and how do I apply?

A: 7(a) loans are an affordable loan product of up to \$5 million for borrowers who lack credit elsewhere and need access to versatile financing, providing short-term or long-term working capital and to purchase an existing business, refinance current business debt, or purchase furniture, fixtures and supplies. In the program, banks share a portion of the risk of the loan with SBA. There are many different types of 7(a) loans, you can visit [this site](#) to find the one that's best for you. You apply for a 7(a) loan with a bank or a mission-based lender, like CDC Small Business Finance.

Q: What is a 504 loan and how do I apply?

A: The [504 Loan Program](#) provides loans of up to \$5.5 million to approved small businesses with long-term, fixed-rate financing used to acquire fixed assets for expansion or modernization. It is a good option if you need to purchase real estate, buildings, and machinery. You apply through a Certified Development Company, like CDC Small Business Finance, which is a nonprofit corporation that promotes economic development. [Click here to contact an SBA 504 Loan Expert with CDC Small Business Finance.](#)

Q: What is a microloan and how do I apply?

A: The [Microloan Program](#) provides loans up to \$50,000 to help small businesses and certain not-for-profit childcare centers to start up and expand. These loans are delivered through mission-based lenders, like CDC Small Business Finance, who are also able to provide business counseling. [Click to learn more about small business loans including the Microloan.](#) [Apply for a Microloan with CDC Small Business Finance.](#)

Q: I am unfamiliar with SBA loans, can anyone help me apply?

A: Yes, SBA resource partners, like CDC Small Business Finance, are available to help guide you through the loan application process. You can also contact your nearest [Small Business Development Center](#) (SBDC) or [Women's Business Center](#).

ECONOMIC INJURY DISASTER LOANS & 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 must 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.

Q: Are businesses and private non-profits in my state eligible for an EIDL related to COVID-19?

A: Yes, those suffering substantial economic injury in all 50 states, DC, and the territories may apply for an EIDL.

Q: What is an EIDL and what is it used for?

A: EIDLs are lower interest loans of up to \$2 million, with principal and interest deferment available for up to 4 years, that are available to pay for expenses that could have been met had the disaster not occurred, including payroll and other operating expenses.

Q: Who is eligible for an EIDL?

A: Those eligible are the following with 500 or fewer employees:

- Sole proprietorships, with or without employees
- Independent contractors
- Cooperatives and employee owned businesses
- Tribal small businesses

Small business concerns and small agricultural cooperatives that meet the applicable size standard for SBA are also eligible, as well as most private non-profits of any size. See below for more info on size standards.

Q: My private non-profit is not a 501(c)(3). Is it still eligible for an EIDL and a grant?

A: Yes, if you are a private non-profit with an effective ruling letter from the IRS, granting tax exemption under sections 501(c), (d), or (e) of the Internal Revenue Code of 1954, or if you can provide satisfactory evidence from the State that the non-revenue producing organization or entity is a non-profit one organized or doing business under State law. However, a recipient that is principally engaged in teaching, instructing, counseling, or indoctrinating religion or religious beliefs, whether in a religious or secular setting, or primarily engaged in political or lobbying activities is not eligible to receive an EIDL. If you are uncertain whether you qualify, please consult with legal counsel to determine whether your organization meets program criteria.

Q: Who is eligible for an Emergency Economic Injury Grant?

A: Those eligible for an EIDL and who have been in operation since January 31, 2020, when the public health crisis was announced.

Q: How long are Emergency Economic Injury Grants available?

A: January 31, 2020 – December 31, 2020. The grants are backdated to January 31, 2020 to allow those who have already applied for EIDLs to be eligible to also receive a grant.

Q: If I get an EIDL and/or an Emergency Economic Injury Grant, can I get a PPP loan?

A: Whether you've already received an EIDL unrelated to COVID-19 or you receive a COVID-19 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 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.

Q: How do I apply for an economic injury disaster loan?

A: To apply for an EIDL online, please visit the [SBA Disaster Loan Program](#) page. Your [SBA District Office](#) is an important resource when applying for SBA assistance.

Q: I am unfamiliar with the EIDL process, can anyone help me apply?

A: Yes, SBA resource partners are available to help guide you through the EIDL application process. You can find the nearest Small Business Development Center (SBDC), Women's Business Center, or SCORE mentorship chapter [here](#).

EXPRESS BRIDGE LOAN PILOT PROGRAM

This program will allow small businesses who currently have a business relationship with an **SBA Express Lender to access up to \$25,000 quickly**. These loans can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing and can be a term loans or used to bridge the gap while applying for a direct [SBA Economic Injury Disaster Loan](#). If a small business has an urgent need for cash while waiting for decision and disbursement on an Economic Injury Disaster Loan, they may qualify for an SBA Express Bridge Loan Pilot Program (EBL). **Funds will be available through March 13, 2021.**

Q: Are businesses and private non-profits in my state eligible for an EBL related to COVID-19?

A: Yes, those suffering substantial economic injury in all 50 states, DC, and the territories may apply for an EIDL.

Q: What is an EBL and what is it used for?

A: The loan must be used for working capital and can only be used to cover operational expenses to support the survival, or the reopening of your small business.

Q: Who is eligible for an EBL?

A: To be eligible, small businesses must have had an existing banking relationship with an SBA Express Lender on or before the date of the disaster, March 13, 2020.

Q: What lenders are authorized to make EBL Loans?

A: EBLs can only be made by SBA Express Lenders that had a valid "Supplemental Loan Guaranty Agreement SBA Express Program," in effect as of the date of the disaster.

Q: How long are EBLs available?

A: EBLs can only be made up to six months after the date of the disaster and can be approved through March 13, 2021.

Q: What are the terms of the EBL?

A: EBLs are currently being offered to borrowers on 7-year terms. Plus, borrowers are allowed to repay their EBLs with the proceeds of larger disaster loans that they may receive later (such as traditional SBA disaster loans, which are offered in amounts of up to \$2 million.) You are not required to apply for an SBA disaster loan in order to qualify for an EBL.

Q: How do I apply for an EBL?

A: Contact your current lender first to see if they are offering the EBL.

Q: I am unfamiliar with the EBL process, can anyone help me apply?

A: Yes, SBA resource partners are available to help guide you through the EBL application process. You can find the nearest Small Business Development Center (SBDC), Women's Business Center, or SCORE mentorship chapter [here](#).

SMALL BUSINESS TAX PROVISIONS

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.

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 at the end of 2021, the other at 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.

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), Women's Business Center (WBC), or SCORE mentorship chapter. 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 this page](#). [Click to learn about CDC Small Business Finances Business Advising Services](#).

In addition, the Minority Business Development Agency's Business Centers (MBDCs), which cater to minority business enterprises of all sizes, will also receive funding to hire staff and provide programming to help their clients respond to COVID-19. Not every state has a MBDC. To find out if there is one that services your area, [visit this site](#).

Q: Do I have to pay for counseling and training through SBDCs, WBCs, and MBDCs?

A: Counseling is free and training is low-cost with these partners. The additional funds that Congress provided will help keep this possible. Mentorship through SCORE is always free.

STAY CONNECTED AND UP TO DATE

The Sacramento County Office of Economic Development is closely monitoring best practices and resources to help your business and will frequently share the latest information [here](#).

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