



CARES ACT

Paycheck Protection Program & Economic Injury Disaster Loan

GUIDE FOR SMALL BUSINESS OWNERS As of 04/03/2020

PLEASE NOTE:

Businesses cannot get both EIDL and PPP loans at the same time. You can apply for the EIDL loan now and the PPP loan when it becomes available. If you qualify and accept the EIDL loan, and you subsequently qualify for the PPP loan, you can re-finance the EIDL loan with the PPP loan, OR you can apply for both loans and decide which one you take if you qualify for both. Loans are limited to one per Taxpayer Identification Number.

Key point to get started to avoid struggling:



Keeping up with payments on your current or potential SBA loan

Small Business Debt Relief Program:
Apply SBA Loan - 7 (a), 504, and Micro loan



A quick infusion of a smaller amount of cash to cover the business owner right now

- Economic Injury Disaster Loans:
Apply EDIL - SBA Loan Disaster Application
- Emergency Economic Injury Grant:
Emergency Advance amount up to \$ 10,000



Capital to cost of retaining employees

Paycheck Protection Program (PPP Loan):
Apply 7 (a) to Bank



Consideration of Small Business Tax Provisions

- Employee Retention Credit for Employer Subject to Closure or Experiencing Economic Hardship
- 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
- Deferral is not provided to employers receiving assistance through the Paycheck Protection Program

COMPARISON: PPP LOAN vs. EIDL

ECONOMIC INJURY DISASTER LOAN	PAYCHECK PROTECTION PROGRAM
WHO IS THE LENDER?	
The SBA	A Bank that does SBA 7(a) Loans, underwritten by the SBA
WHAT IS THE MAXIMUM AMOUNT OF THE LOAN?	
The Max loan size is \$2 million	<p>The Max loan size is \$10 million.</p> <p>The calculation is as follows:</p> <ul style="list-style-type: none"> ● 2.5x the average monthly (up to two of your average monthly plus 25% of that amount) “payroll” costs, measured over the 12 months preceding the loan origination date. ● Seasonal business may use the period February 15, 2019 – June 30, 2019 or March 1, 2019 – June 30, 2019 to calculate the average payroll <p>> If you took out the EIDL loan 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.</p> <p>> Payroll includes salaries, commissions, tips, certain employee benefits (including health insurance and retirement benefits), state and local taxes and certain types of compensation to sole proprietors or independent contractors.</p> <p>> Payroll costs specifically exclude compensation of an individual employee in excess of an annual salary of \$100,000, foreign employees, FICA and income tax withholdings</p>
WHAT IS THE ANNUAL INTEREST RATE?	
3.75% for businesses, 2.75% for non-profits	Fixed 1%
WHAT IS THE TERM OF THE LOAN?	
Up to 30 years	2 years

COMPARISON: PPP LOAN vs. EIDL-2

ECONOMIC INJURY DISASTER LOAN	PAYCHECK PROTECTION PROGRAM
WHEN IS THE FIRST LOAN PAYMENT DUE?	
One year after the loan origination date (interest is accrued during the deferment)	At least six months after the loan origination date (interest is accrued during the deferment)
WHAT CAN WE USE TH LOAN FOR?	
Financial obligations and operating expenses that could have been met had the disaster not occurred	Payroll costs (as defined above), group healthcare benefits, insurance premiums, and interest (but not principal) on mortgages or other debt incurred prior to February 15, 2020, rent on any lease in force prior to February 15, 2020 and utility payments
WHAT COLLATERAL IS REQUIRED?	
The SBA will place a UCC lien against the assets of the business	No collateral is required from either the business or its owners
IS A PERSONAL GUARANTEE REQUIRED?	
Yes, for owners of > 20% of the business, managing members of LLCs, managing partners of LPs. However, no liens will be taken against real estate owned by the guarantor	NO
IS THERE A LOAN FORGIVENESS PROGRAM?	
NO	<p>Yes – calculated as the amount spent by the borrower during an 8-week period after the origination date of the loan on:</p> <ul style="list-style-type: none"> ● Payroll costs (as defined above), ● Interest payment on any mortgage incurred prior to February 15, 2020, ● Payment of rent on any lease in force prior to February 15, 2020, ● Payment on any utility for which service began before February 15, 2020. <p>** Payroll costs are subject to the same exclusions as noted above</p> <p style="text-align: right;">CONTINUE</p>

COMPARISON: PPP LOAN vs. EIDL-3

ECONOMIC INJURY DISASTER LOAN	PAYCHECK PROTECTION PROGRAM
WHAT REDUCES THE FORGIVENESS?	
N/A	<p>The amount forgiven is reduced based on:</p> <p>You will also owe money if you do not maintain your staff and payroll.</p> <ul style="list-style-type: none"> ● Number of Staff: Your loan forgiveness will be reduced if you decrease your full-time employee headcount. ● Level of Payroll: Your loan forgiveness will also be reduced if you decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019. ● Re-Hiring: You have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020. ● Reductions in the number of employees or compensation occurring between February 15, 2020, and 30 days after enactment of the CARES Act will generally be ignored to the extent that reductions are reversed by June 30, 2020. ● Forgiven amounts will not constitute cancellation of indebtedness income for federal tax purposes
DO I NEED TO HAVE FILED MY 2019 TAXES TO APPLY?	
<p>No, 2019 Taxes do not have to be filed prior to applying for the loan. However, businesses will be asked to submit IRS form 4506T, which provides the SBA with access to historical tax returns</p>	<p>Will depend on the lender because the lender would be banker</p>
HOW LONG WILL THE LOAN APPLICATION TAKE?	
<p>2-3 weeks plus an additional 5 days for funding</p>	<p>Unknown at this stage</p>

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COMPARISON: PPP LOAN vs. EIDL-4

ECONOMIC INJURY DISASTER LOAN	PAYCHECK PROTECTION PROGRAM
CAN I APPLY NOW?	
<p>Yes.</p> <ul style="list-style-type: none"> ●The application process is live, and loans are available now. ●There is no obligation to accept the loan if you qualify. ●The SBA typically allows 60 days to accept the loan offer, but you can always extend this if needed. ●Therefore, it is better to apply ASAP 	<p>No.</p> <ul style="list-style-type: none"> ●Now that the CARE Act is law, ●The SBA will give their loan guidelines to the banks. ●The banks will then prepare their loan application process. ●Expect this to take at least two weeks
WHAT BUSINESSES/ENTITIES CAN APPLY AND WHAT ARE THE AFFILIATION RULES?	
<p>Small businesses.</p> <ul style="list-style-type: none"> ●There are several standards the SBA uses to define a small business, and it varies by industry. ●As a general guide, less than 500 employees and \$35 million in revenue would typically qualify. ●Applicants for SBA loan programs typically must include their affiliates when applying size tests to determine eligibility. ●This means that employees of other businesses under common control would count toward the maximum number of permitted employees 	<p>Businesses and entities must have been in operation on February 15, 2020 and have 500 or fewer employees.</p> <ul style="list-style-type: none"> ●Exceptions based on industry: ●Individuals who operate a sole proprietorship or as an independent contractor and eligible self-employed individuals. ●Any business concern that employs not more than 500 employees per physical location of the business concern and that is assigned a NAICS code beginning with 72 (Accommodation and Food Services companies) ●Affiliation rules are also waived for franchises with codes assigned by the SBA, as reflected on the SBA franchise registry and businesses that receive financial assistance from one or more small business investment companies (SBIC)

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HOW CAN I REQUEST LOAN FORGIVENESS?

You can submit a request to the lender that is servicing the loan. The request will include documents that verify the number of full-time equivalent employees and pay rates, as well as the payments on eligible mortgage, lease, and utility obligations. You must certify that the documents are true and that you used the forgiveness amount to keep employees and make eligible mortgage interest, rent, and utility payments. The lender must make a decision on the forgiveness within 60 days.



WHAT DO I NEED TO CERTIFY?

As part of your application, you need to certify in A GOOD FAITH CERTIFICATE that:

- 01** Current economic uncertainty makes the loan necessary to support your ongoing operations.
- 02** The funds will be used to retain workers and maintain payroll or to make mortgage, lease, and utility payments.
- 03** You have not and will not receive another loan under this program.
- 04** You will provide lender documentation that verifies the number of full-time equivalent employees on payroll and the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight weeks after getting this loan.
- 05** Loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.
- 06** All the information you provided in your application and in all supporting documents and forms is true and accurate. Knowingly making a false statement to get a loan under this program is punishable by law.

01 Access to the Website: covid19relief.sba.gov/#/

02 Disclosures
Eligible Entity Verification- Choose 1st section “not more than 500 employees”

03 Business Information

- Entity's Name, Trade Name, EIN, Organization Type,
- Gross Revenue for the year 2019, GOGS for the Year 2019
- Entity Physical Address, Phone Number, E-mail
- Established Date
- Ownership Info
- Business Activity and Number of Employees

04 Personal Information
Personal info, Title, Ownership %, E-mail, SSN, Date of Birth, Place of Birth, Citizenship, Residential Address

05 Additional Information

- Check Mark - No
- Request Emergency Advance \$10,000** with Bank Info. (Bank Name, Routing, and Account Number)

**** It is an Economic Emergency Injury Grant: It would be direct deposited into account that a applicant assigned on the EIDL application upon completion the internal test by SBA (within 3 day to be remarked by SBA for the processing period)**

06 Review Summary before submit the application

07 Get Confirmation Number after Submit the Application