



CARES Act Funding for Small Businesses: **How It Can Help You**

On March 27, the [CARES Act](#) was signed into law, providing economic relief options for small businesses impacted by coronavirus-related expenses.

Overview: How can the CARES Act help me?

Paycheck Protection Program

This program provides eligible small businesses 8 weeks of cash-flow assistance through federally guaranteed loans, up to \$10 million and capped at 4% interest, to employers who maintain their payroll. Small businesses may apply for SBA to forgive the amount of the loan used to cover the first 8 weeks of payroll, rent, mortgage interest, or utilities. However, loan forgiveness will be reduced by the percent decrease in the number of employees, and the program excludes employee or owner compensation over \$100,000. Loan forgiveness will not count towards taxable income.

The program also covers cash tips, paid sick or medical leave, health insurance, and other debt obligations. The program's loans are designed to cover the period from February 15 through June 30, 2020, and the program enables repayments to be deferred for up to six months. The SBA will pay principal, interest, and fees on these loans for the first six months of the life of the loan. The loan can be used in conjunction with an Economic Injury Disaster Loan (EIDL) unless there is duplication in the use of funds for payroll.

Emergency Economic Injury Disaster Loan (EIDL) Grants

This program provides eligible small businesses with loans, usually set at 3.75% interest, of up to \$2 million to cover temporary revenue loss. The policy also makes available a \$10,000 advance grant within 3 days to eligible businesses, subject to usage restrictions that are intended to maintain payroll and sick leave.

Though these loans do not have the same restrictions on allowable uses as other programs, they are not eligible for loan forgiveness. The loan can be used in conjunction with Payment Protection Program loans unless there is duplication in the use of funds for payroll.

Treasury's Exchange Stabilization Fund

The legislation provides \$454 billion to the Department of the Treasury's Exchange Stabilization Fund to initiate loans and loan guarantees to "eligible businesses" in the U.S., states, and municipalities. The program is still being implemented by the Department of the Treasury and is likely to be administered by banks and other regulated financial institutions backed by the Federal Reserve. This fund is available to businesses of all sizes for a variety of purposes, but has restrictions not found with SBA loans.



Small Business Debt Relief Program

The program will provide debt relief to eligible small businesses for six months for their SBA non-disaster loans - including principal, interest, and fees. New borrowers who take out SBA loans within approximately six months are also eligible for debt relief. Debt relief made possible under this program will not apply to Payment Protection Plan loans. Green & Co. recommends that you consult with your [local SBA office](#) to learn more about the program.

Tax Modifications and Deferments

The legislation enables employers to defer payment of payroll taxes to the government until 2021. If a business recorded a Net Operating Loss in the past three years, that loss can be used to offset income on which tax would be due in 2020. Businesses may deduct up to 50 percent of interest expenses on taxable income for 2019 and 2020. Employers may receive advance tax credits instead of reimbursements. Employers who have lost half of their business or been shut down are also eligible for a refundable payroll tax credit for 50 percent of wages paid by employers to employees during the COVID-19 crisis. These tax benefits are not provided to employers who receive Paycheck Protection Program assistance. Green & Co. recommends that you consult with your tax preparers and attorneys to determine whether any of these provisions could provide you with additional liquidity or savings during the crisis.

How to obtain SBA loans:

1. Determine your eligibility:
 - Business has been in operation on February 15, 2020.
 - Business has fewer than 500 employees or is under the [SBA's size standard](#) for its industry.
 - Restaurants with fewer than 500 employees *per location* may be eligible.
2. Instructions to apply:
 - The deadline to apply is June 30th, 2020.
 - The loans are backed by SBA but are administered through private lenders. Contact your bank to see if it's one of 1,800 lenders approved by SBA. If your bank is not approved, [contact your local SBA office](#) to locate one.
 - For EIDL loans, apply through SBA's streamlined "Disaster Loan Assistance" application form on their website by clicking [here](#).
 - The Administration says Paycheck Protection Loans could available by April 3, 2020 and detailed instructions will follow.
 - Consult with your [local SBA office](#) for assistance or further guidance.

For further assistance, please contact J.A. Green & Co. Founder and President Jeff Green at jeff@jagreenco.com.