

SMALL BUSINESSES

Help covering payroll and expenses

Overview

The Coronavirus Aid, Relief, and Economic Security (CARES) Act provides relief for small businesses that have trouble covering payroll and operating expenses because of the COVID-19 pandemic. The new law creates a Small Business Administration (SBA) loan program, called the “Paycheck Protection Program” (PPP), expands benefits and eligibility for SBA disaster loans, covers payments on existing SBA loans, and creates new tax credits to help cover the cost of paid leave and payroll.

SBA Paycheck Protection Program

Note: As of June 4, 2020, funding for this program still remains. Please contact your lender to see how you should proceed if you have not already applied.

On June 4, 2020, the *Paycheck Protection Program Flexibility Act* was signed into law, providing small businesses with more time and more flexibility to use their Paycheck Protection Program (PPP) loans. The new law:

- Increases the amount that can be used on rent, utilities, and other overhead costs from 25 percent to 40 percent; and it lowers the amount that must be used on payroll costs from 75 percent to 60 percent;
- Extends the period of time that small businesses can use their loan from 8 weeks to 24 weeks and extends the entire program to December 31, 2020;
- Allows small businesses to receive loan forgiveness even if they had trouble rehiring employees or if they have not been able to return to a full operating status;
- Allows small businesses to repay any amount that is not forgiven over five years, instead of just two years; and
- Allows small businesses with PPP loans to defer their payroll taxes as provided in the CARES Act.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act created a new Small Business Administration (SBA) loan program, called the “Paycheck Protection Program” (PPP). The Paycheck Protection Program provides small businesses with zero-fee loans of up to \$10 million to cover 10 weeks of payroll and other operating expenses. Small businesses have 24 weeks or until December 31, 2020, whichever is earlier, to spend their PPP funds. They can seek forgiveness for PPP funds spent during those 24 weeks on eligible payroll and overhead costs, such as rent, mortgage interest payments, and utility costs. Small businesses must spend at least 60 percent of the funds on payroll costs and no more than 40 percent on overhead costs. For any amount that is not forgiven, small businesses must repay the loan at 1 percent interest over five years. Payments on any outstanding loan amounts are deferred until the lender receives the amount of the loan that was forgiven or for 10 months for small businesses that did not seek loan forgiveness. **PPP loans are available through December 31, 2020.**

SBA Economic Injury Disaster Loans

Note: The SBA is still working through its backlog of applications; it is currently accepting new applications only for U.S. agricultural businesses. Please check the SBA’s website for updates.

The CARES Act creates a new emergency grant of up to \$10,000 for small businesses that apply for an SBA economic injury disaster loan (EIDL). EIDLs are loans up to \$2 million with interest rates of 3.75% for businesses and 2.75% for nonprofits, and principal and interest payments

deferred up to 4 years. The EIDL loans may be used to pay for expenses that could have been met had the disaster not happened, including payroll and other operating expenses. The EIDL grant does not need to be repaid even if the applicant is denied an EIDL. A small business may apply for an EIDL grant and a Paycheck Protection loan. The EIDL grant will be subtracted from the amount of the Paycheck Protection loan that is forgivable.

Debt Relief for New and Existing SBA Borrowers

For small businesses that already have an SBA loan (such as a 7(a), 504, or microloan) or take one out within 6 months after the CARES Act is enacted, the SBA will pay all loan costs for borrowers, including principal, interest, and fees, for six-months. SBA borrowers may also seek an extension of the duration of their loan and delay certain reporting requirements.

Relief for Small Business Government Contractors

If you are a government contractor, there are a number of ways that Congress has provided relief and protection for your business. Agencies will be able to modify terms and conditions of a contract and to reimburse contractors at a billing rate of up to 40 hours per week of any paid leave, including sick leave. The contractors eligible are those whose employees or subcontractors cannot perform work on site and cannot telework due to federal facilities closing because of COVID-19. If you need additional assistance, please reach out to your local [Small Business Development Center](#), [Women's Business Center](#), [SCORE](#) chapter, or [SBA District Office](#). You should also work with your agency's contracting officer, as well as the agency's Office of Small and Disadvantaged Business Utilization (OSDBU).

Employee Retention Tax Credit

The CARES Act creates a refundable payroll tax credit for businesses, large and small, that retain their employees during the COVID-19 crisis. Employers are eligible if they have been fully or partially suspended as a result of a government order, or they experience a 50% reduction in quarterly receipts as a result of the crisis. For employers with 100 or fewer full-time employees, they may claim a credit for wages paid to all of their employees, up to \$10,000 a person. For employers with more than 100 employees, they may claim a credit for those employees who are furloughed or face reduced hours as a result of the employer's closure or economic hardship. The Department of the Treasury is authorized to advance payment of the employee retention tax credit. This tax credit is not available if the employer receives loan forgiveness for an SBA paycheck protection loan.

Payroll Tax Delay

The CARES Act allows employers to delay paying the employer-portion of payroll taxes through the end of 2020. The deferred amount is due in two installments—50% is due before December 31, 2021, and the other 50% is due before December 31, 2022. Due to the *Paycheck Protection Program Flexibility Act*, deferral is now available even if the employer receives loan forgiveness for an SBA paycheck protection loan.

Advance Payment of Tax Credits for Paid Leave

The CARES Act allows the Treasury to send advance payments of tax credits available to employers that are required to provide up to 12 weeks of coronavirus-related paid leave to their employees.

Business Tax Relief

The CARES Act provides other forms of tax relief for businesses, including loosening requirements for net operating losses, and limitations on business interest deductions. The CARES Act also permanently fixes the qualified improvement property (QIP) error in the 2017

tax law, so that QIP investments are entitled to 100% recovery over 15 years. Distillers are exempt from excise taxes on undenatured alcohol for the purpose of producing hand sanitizer.

Delay for Single Employer Pension Plans

Single employer pension plans are allowed to delay quarterly contributions for 2020 until the end of the year. Employers may also use 2019 funded status for the purposes of determining funding-based limits on plan benefits for the plan years that include 2020.

More Information

For more information about SBA loan programs, please visit the [Small Business Administration website](#). More information about small business programs in the CARES Act and other resources for small businesses can be found on the U.S. Senate Committee on Small Business and Entrepreneurship [website](#).

If you need additional assistance, please reach out to your local [Small Business Development Center](#), [Women's Business Center](#), [SCORE](#) chapter, or [SBA District Office](#)..

For more information about tax issues, please check the IRS's website at <https://www.irs.gov/coronavirus>.