

SBA ECONOMIC INJURY DISASTER LOAN & EMERGENCY ADVANCE

Congress has passed several rounds of financial assistance and relief in response to the COVID-19 pandemic, including most recently the *American Rescue Plan*. The *American Rescue Plan* includes additional relief for small businesses struggling as a result of the pandemic.

*** WHAT IS NEW IN THE AMERICAN RESCUE PLAN ***

The *American Rescue Plan* provides an additional \$15 billion nationwide of targeted funding for the Small Business Administration's (SBA) economic injury disaster loans (EIDL) emergency advance grants. [Details are below.](#)

Please note: SBA is currently limiting consideration for advance grants to those who applied for EIDL assistance on or before December 27, 2020. This is to prioritize applicants who received capped advances or were unable to obtain an advance after funding ran out in July 2020. If you meet this description, do not submit a duplicate EIDL application. SBA will contact qualified applicants directly.

Set-aside for entities eligible under the December COVID relief law

\$10 billion of the new funding in the *American Rescue Plan* is reserved for entities that are eligible for the program under the criteria established in the *Coronavirus Response and Relief Supplemental Appropriations Act of 2021* (COVID relief law). Under the COVID relief law, an entity is eligible for an EIDL emergency advance grant if it:

- Employs no more than 300 employees;
- Has suffered an economic loss greater than 30 percent;
 - Gross receipts must have declined at least 30 percent during an 8-week period between March 2, 2020, and December 31, 2021, relative to a comparable 8-week period immediately preceding March 2, 2020, or during 2019; and
- Is located in a low-income community, as defined for the new markets tax credit (NMTC) in [26 USC § 45D\(e\)](#):
 - (A) a population census tract for which the poverty rate is at least 20 percent, or
 - (B)
 - (i) in the case of a tract *not* located within a metropolitan area, the median family income for the tract does not exceed 80 percent of the statewide median, or
 - (ii) in the case of a tract located within a metropolitan area, the median family income for the tract does not exceed 80 percent of the greater of statewide median family income or the metropolitan area median family income.
 - You can review a map of NMTC-eligible census tracts [here](#).
- If an eligible entity has already received an EIDL emergency grant, it is now only eligible to receive the difference between \$10,000 and the amount it previously received. If an eligible applicant did not previously secure a grant before funding ran out, they are eligible for the full \$10,000.

With this \$10 billion set-aside, SBA will prioritize make-whole payments for entities that fit the above criteria, applied for an EIDL advance before December 27, 2020, and received either a capped advance or no advance. SBA will contact qualified entities directly.

Supplemental grants for severely impacted small businesses

\$5 billion of the new funding in the *American Rescue Plan* will be used to make \$5,000 grants to entities that:

- Have suffered an economic loss of greater than 50 percent; and
- Employ not more than 10 employees.

This supplemental round of emergency advance grants are also subject to the same low-income community eligibility requirement as the targeted EIDL advance. You can check to see if your business address is located in a low-income community at <https://sbaeidl.policymap.com/app>.

Tax treatment of EIDL advance grants

The *American Rescue Plan* exempts EIDL grants from tax and provides that such exclusion will not result in a denial of deduction, reduction of tax attributes, or denial of increase in basis. For partnerships and S corporations, the grant amount is treated as tax-exempt income, and the bill directs the Secretary of Treasury to prescribe rules for determining a partner's distributive share of amounts received through the EIDL grant.

Repeal of PPP forgiveness penalty

The COVID relief law repealed the provision from the *Coronavirus Aid, Relief, and Economic Security (CARES) Act* that required Paycheck Protection Program (PPP) borrowers to deduct the amount of their EIDL advance grant from their PPP forgiveness amount.

Overview

The *CARES Act* made COVID-19-related economy injury an eligible expense for SBA's economic injury disaster loans and temporarily expanded eligibility for the loans. The law also established an EIDL emergency grant program, which allowed loan applicants to request an advance to keep employees on payroll, pay for sick leave, meet increased production costs caused by supply chain disruptions, or otherwise pay business obligations.

Due to high demand, the SBA limited COVID-related EIDLs to \$15,000 and emergency advance grants to \$1,000 per employee up to a statutory cap of \$10,000. The SBA announced in July 2020 that all available funds for the EIDL advance program had been allocated, and that it was unable to issue additional grants. The COVID relief law allocated additional funding and made eligibility changes for the emergency advance grants, but not the loans themselves.

How to Apply

- You can apply for an EIDL [online](#) with the SBA.
- **If you meet the new criteria**, when you apply, you can request an emergency advance. Because the SBA will be working to implement the new \$5,000 grants for severely impacted small businesses, please check the [SBA website](#) for updates on implementation.

- You can visit an SBA resource partner who can help guide you through the loan application process. You can find your nearest Small Business Development Center (SBDC) or Women's Business Center [here](#).

Can I also apply for a PPP loan?

Yes; if you apply for an EIDL and the advance, you can still apply for a PPP loan. The COVID relief law also repealed the *CARES Act* provision that required PPP borrowers to deduct the amount of their EIDL advance from their PPP forgiveness amount. The SBA will ensure PPP borrowers are made whole if they already received PPP forgiveness and had their EIDL advance deducted.

More Information:

For more information about SBA loan programs, please visit the [Small Business Administration](#). More information about small business programs in the CARES Act 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](#).