

# Hardie CPA

## CORONAVIRUS SMALL BUSINESS RELIEF INFORMATION

### THE CARES ACT- KEY COMPONENTS

*PPP Paycheck Protection Program - 2*

*EIDL Economic Injury Disaster Loans &  
Emergency Grants - 5*

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## A NOTE TO SMALL BUSINESS OWNERS

*April 2, 2020*

*From Katie Hardie:*

Hello fellow small business owners! I want to help. Almost all small business owners have been negatively affected by the coronavirus disaster and the pace & amount of relief information released recently can be overwhelming. We need to reduce stress as much as possible during this challenging period.

Time is of the essence with these resources so please don't wait to get started. Be informed & get the help you need.

I have gathered this information with the most current issued guidance from Lawmakers, the Small Business Administration and the US Treasury. This is for informational purposes only & does not constitute tax, legal or consulting advice.

I hope all of you & your families are staying well.



# PAYROLL PROTECTION PROGRAM LOANS (PPP)

## Changes to PPP - PPP Flexibility Act

June 5, 2020

As Noted Below

### WHAT

The Paycheck Protection Program (PPP) provides small businesses with funds to **pay up to ~~8~~ weeks of payroll costs including benefits.**

~~8~~  
24

Funds can also be used to pay interest on mortgages, rent, and utilities.

The loan amounts will be forgiven as long as:

- The loan proceeds are used to cover payroll costs, and most mortgage interest, rent, and utility costs over the ~~8~~ week period after the loan is made; and
- Employee and compensation levels are maintained.

\*\*\*See note at end of FAQ regarding employee levels

~~Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.~~

60% of total PPP loan proceeds must be used for eligible payroll costs

Loan payments will be deferred for ~~six months~~. Interest rate is 1.0% fixed ~~deferral period is now the date at which the amount of forgiveness is determined~~ rate. Loan would be due in two years, with no prepayment penalties or fees. (For loans not forgiven: Max interest rate up to four percent, max term ten years)

Loans after PPP Flexibility Act have new maturity date minimum - 5 years instead of 2. The Act allows lenders & borrowers with existing PPP agreements to modify the maturity terms to the new 5 year maturity. No collateral or personal guarantees are required.

Neither the government nor lenders will charge small businesses any fees.

### WHO

- **Small businesses** with 500 or fewer employees—including nonprofits, veterans organizations, tribal concerns, **self-employed individuals, sole proprietorships, and independent contractors— are eligible.**
- Businesses with more than 500 employees are eligible in certain industries.
- Must have been in operation on February 15, 2020.

### WHEN

**Starting April 3, 2020**, small businesses and sole proprietorships can apply. Starting April 10, 2020, independent contractors and self-employed individuals can apply. **You are encouraged to apply as quickly as you can because there is a funding cap.**

**Now through August 8, 2020.**

### HOW

**You will need to complete the Paycheck Protection Program loan application and submit the application with the required documentation to an approved lender that is available to process your application by June 30, 2020.**

APPLICATION:



PPP LOAN FORGIVENESS APPLICATION:



**Call your local bank or find SBA-approved lenders in your area** through SBA's online portal.

TIP - PPP loan application and forgiveness: For the calculation of the average monthly payroll cost, applicants should use gross payroll (including tax expenses but excluding employer FICA) — based on 2019 data or from the previous 12 months.

You will need to provide your lender with payroll documentation.

# PAYROLL PROTECTION PROGRAM LOANS (PPP) CONT...

## F.A.Q.

### What can I use these loans for?

You should use the proceeds from these loans on your:

- Payroll costs - including benefits
- Interest on mortgage obligations, incurred before February 15, 2020
- Rent - under lease agreements in force before February 15, 2020
- Utilities - for which service began before February 15, 2020

### What counts as payroll costs?

Payroll costs include:

- Salary, wages, commissions, or tips
- Employee benefits including costs for vacation, parental, family, medical, or sick leave
- Allowance for separation or dismissal
- Payments required for the provisions of group
- Health care benefits including insurance premiums
- Payment of any retirement benefit
- State and local taxes assessed on compensation
- For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis for each employee (cap applies only to cash compensation, not benefits such as retirement plans, health insurance or state & local taxes).

### How large can my loan be?

Loans can be for up to two months of your average monthly payroll costs from the last year plus an additional 25% of that amount. That amount is subject to a \$10 million cap. If you are a seasonal or new business, you will use different applicable time periods for your calculation. Payroll costs will be capped at \$100,000 annualized for each employee.

### How long will it take to receive funds?

The timing of the funding will depend on the lender you choose. Right now, it's unknown exactly how long it will take to disburse funds. This is a brand-new program & we are in uncharted territory.

### 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.

# PAYROLL PROTECTION PROGRAM LOANS (PPP) CONT...

## F.A.Q. CONTINUED

### What do I need to certify?

As part of your application, you need to certify in good faith that:

- Current economic uncertainty makes the loan necessary to support your ongoing operations.
- The funds will be used to retain workers and maintain payroll or to make mortgage, lease, and utility payments.
- You have not and will not receive another loan under this program.
- You will provide to the 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.
- 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.
- 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.
- You acknowledge that the lender will calculate the eligible loan amount using the tax documents you submitted. You affirm that the tax documents are identical to those you submitted to the IRS. And you also understand, acknowledge, and agree that the lender can share the tax information with the SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program Requirements and all SBA reviews.

### Can I apply for both PPP & EIDL?

Yes, but cannot double dip - proceeds can't be received twice to cover the same expenses.

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.

### Will PPP loan forgiveness be taxable?

The forgiven portions are not expected to be taxable.

**\*\*The Act provides that PPP borrowers will not experience a reduction in their forgiveness amount due to a decline in the FTE employee count if the PPP borrower, in good faith, is able to document:**

**-An inability to rehire individuals who were employees on February 15, 2020; and**

**-An inability to hire similarly qualified employees for unfilled positions on or before December 31, 2020; or**

**-An inability to return to the same level of business activity as such business was operating at before February 15, 2020, due to compliance with requirements established or guidance issued by the Secretary of Health and Human Services, the Director of the CDC, or the Occupational Safety and Health Administration during the period beginning on March 1, 2020, and ending December 31, 2020, related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19.**

# ECONOMIC INJURY DISASTER LOANS (EIDL) AND LOAN ADVANCE

## WHAT

The SBA's **Economic Injury Disaster Loan** program provides small businesses with working capital loans of up to \$2 million to help overcome the temporary loss of revenue they are experiencing.

- These are low-interest, fixed rate loans - 3.75% interest rate for profit borrowers and 2.75% for non-profit borrowers for up to 30 year repayment terms. First month payment is deferred one year.
- The **EIDL Loan Advance** is available for **up to \$10,000** and will provide economic relief to businesses that are currently experiencing a temporary loss of revenue. The loan advance is meant to provide small businesses with quick capital in the form of a grant.
  - **The advance will provide funds of \$1,000 per employee - up to \$10,000 (# of employees as of January 31, 2020).**
  - Funds will be made available within three days of a successful application.
  - **This loan advance will not have to be repaid.**
- No Cost & No obligation to take loan offered.
- Max unsecured loan \$25,000.

## WHO

**Small business owners in the US in operation since January 31, 2020** that have suffered working capital losses due to the declared coronavirus disaster.

This includes sole proprietorships with or without employees, independent contractors.

## WHEN

**January 31, 2020 – December 31, 2020.**

**You are encouraged to apply ASAP.**

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.

## HOW

**You will need to complete the Economic Injury Disaster Loan application.**

**To access the advance, you first apply for an EIDL and request the advance in the application.**

**APPLICATION:**



This information is worth repeating: The advance does not need to be repaid 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.

# ECONOMIC INJURY DISASTER LOANS (EIDL) AND LOAN ADVANCE CONT...

## F.A.Q.

### **How can the funds be used?**

The funds are not intended to replace lost sales or profits.

Funds can be used to:

- Make payments on fixed debts, payroll, accounts payable, and
- Other bills that could have been paid if the disaster had not occurred.

### **Is collateral required?**

Only if the loan is over \$25,000, the SBA will take real estate or other asset collateral if available.

### **If my application is denied, can I reapply?**

Yes, you are given six months to provide new information & submit a written request for reconsideration.

### **How long will it take to get the full loan funding?**

Right now it is not being said for certain- but some are estimating 2-3 weeks from application filing. They are working as quickly as possible.

For the loan advance, funds will be made available within three days of a successful application.

### **What information & forms might I need for the complete loan application?**

For the loan advance, very basic information is needed. The process is simple so that funds can be made available to business owners as quickly as possible.

After the loan advance, there will be a follow up to further qualify you for the loan. These are the documents you may need at that time:

- IRS tax form 4506T for applicants, principals & affiliates.
- Complete copies of most recent federal income tax return
- If most recent tax return not yet filed, a profit & loss statement & perhaps other documentation or reports may be required
- SBA form 2202 Schedule of Liabilities
- SBA form 413 Personal Financial Statement
- Other info may be requested.

# ECONOMIC INJURY DISASTER LOANS (EIDL) AND LOAN ADVANCE CONT...

## F.A.Q. CONTINUED

### **Can I apply for both PPP & EIDL?**

Yes, but cannot double dip - meaning proceeds can't be received twice to cover the same expenses.

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.

### **I am unfamiliar with the EIDL process, can anyone help me apply?**

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

at:



# STIMULUS CHECKS- How much will I receive?

## INDIVIDUAL (SINGLE FILERS):

**\$1,200 for AGI under \$75,000  
(fully phased out at \$99,000)**

## MARRIED FILING JOINT:

**\$2,400 for AGI under \$150,000  
(fully phased out at \$198,000)**

## HEAD OF HOUSEHOLD:

**\$1,200 for AGI under \$112,500  
(fully phased out at \$136,500)**

## HAVE DEPENDENTS?

**\$500 per dependent child  
(under 17 - no AGI limitation)**



CHECK ON THE STATUS OF  
YOUR PAYMENT HERE:



## MORE DETAILS:

- Lawmakers want checks out within three weeks, but the IRS warns it could take months due to logistics. The last stimulus payment took over two months to get to taxpayers.
- The bank account number shown on your last filed tax return will be used for direct deposit of the stimulus check.
- If you did not have direct deposit set up then a check will be mailed using the address on your most recent filed return.
- Checks are phased out by \$5 for every \$100 in income over the AGI (Adjusted Gross Income) threshold.





# FAMILIES FIRST CORONAVIRUS RESPONSE ACT

## What is it?

Signed into law on March 18, the Families First Coronavirus Response Act (FFCRA or Act) contains eight divisions designed to provide assistance to covered employees and households with eligible children affected by COVID-19.

## Key components of the Act include:

- Mandatory emergency paid sick leave for covered employees who, as a result of COVID-19, are quarantined, symptomatic or caring for a symptomatic individual, or caring for a child whose school has been closed.
- An expansion of unemployment benefits.
- Modifications to the USDA nutrition and food assistance programs.
- New requirements for coronavirus diagnostic testing.
- A temporary increase in the Medicaid federal medical assistance percentage (FMAP).

## What does it mean for small business?

The FFCRA affects small businesses in two key ways:

### **Paid sick and family leave.**

The law requires all private businesses with fewer than 500 employees to provide emergency paid sick or family leave for employees affected by the coronavirus outbreak.

Employer tax credits. The law provides employers with fewer than 500 employees with refundable payroll tax credits to cover the cost of providing the paid sick leave and the paid FMLA leave to their employees.

Specifically, the law states that:

- Employers will receive 100% tax credit against their payroll tax liability up to the capped amount of benefits they must pay.
- Health insurance costs are also included in the credit.
- Self-employed individuals receive an equivalent credit.
- If an employer is owed more than the capped amount and a refund is owed, the IRS will send the refund as quickly as possible.
- Reimbursement will be quick and easy to obtain.

Where can I learn more? The full text of the Act can be found at [Congress.gov](https://www.congress.gov).

**For additional information regarding the mandatory emergency paid sick leave, see this detailed guide provided by the U.S. Department of Labor:**



# OTHER RESOURCES

## SBA EXPRESS BRIDGE LOANS



Express Bridge Loan Pilot Program allows small businesses who currently have a business relationship with an SBA Express Lender to access up to \$25,000 with less paperwork. 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 Economic Injury Disaster Loan, they may qualify for an SBA Express Disaster Bridge Loan.

Terms:  
Up to \$25,000  
Fast turnaround  
Will be repaid in full or in part by proceeds from the EIDL loan

Find an Express Bridge Loan Lender by connecting with your local SBA District Office.

## FLORIDA SMALL BUSINESS EMERGENCY BRIDGE LOAN PROGRAM



Currently available to small business owners located in all Florida counties statewide that experienced economic damage as a result of COVID-19. These short-term, interest-free working capital loans are intended to “bridge the gap” between the time a major catastrophe hits and when a business has secured longer term recovery resources, such as sufficient profits from a revived business, receipt of payments on insurance claims or federal disaster assistance.

## SBA DEBT RELIEF



The SBA Debt Relief program will provide a reprieve to small businesses as they overcome the challenges created by this health crisis.

Under this program:  
The SBA will also pay the principal and interest of new 7(a) loans issued prior to September 27, 2020.  
The SBA will pay the principal and interest of current 7(a) loans for a period of six months.

## AMAZON'S NEIGHBORHOOD SMALL BUSINESS RELIEF FUND



Amazon is creating a \$5 million Neighborhood Small Relief Fund to provide cash grants to local small businesses in need during the novel coronavirus outbreak. The goal is to help neighborhood small businesses maintain their livelihood, and continue to foster a vibrant community. To be eligible, you must have < 50 employees or < \$7 million in annual revenue. Interested neighborhood small businesses can apply for grant support by completing the application. They will review applications as they are received and for those determined to be eligible for a grant, they will disburse funds as quickly as possible. Businesses are eligible to apply for additional grant support due to reduced foot traffic over an extended period of time.

## DISCLAIMER

This communication is intended to provide general information on legislative COVID-19 relief measures as of the date of this communication and may reference information from reputable sources. Although our firm has made every reasonable effort to ensure that the information provided is accurate, we make no warranties, expressed or implied, on the information provided. As legislative efforts are still ongoing, we expect that there may be additional guidance and clarification from regulators that may modify some of the provisions in this communication. Some of those modifications may be significant. As such, be aware that this is not a comprehensive analysis of the subject matter covered and is not intended to provide specific recommendations to you or your business with respect to the matters addressed.

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