



US GOVERNMENT/NEW YORK CITY
COVID-19 Stimulus Programs
The Small Business Owner's Guide to the CARES Act

This is a summary of the various programs through the CARES Act, IRS and New York City that businesses can apply for assistance due to the COVID-19 outbreak which includes information about three programs, in order of priority and documents needed.

- Paycheck Protection Program (PPP)
- Economic Injury Disaster Loan (EIDL)
- Small Business Debt Relief Program
- IRS "Employee Retention Credit"
- New York City Small Business Continuity Loan/Grant (New York Based Clients)

This document is based on our own analysis based on the information that was available to us. No rights get be received from this document. We will continue to update as information becomes available as it is evolving all the time.

I. **PAYCHECK PROTECTION PROGRAM (PPP): Capital to cover the cost of retaining employees**
IMPORTANT NOTE: As a significant provision for eligibility for the Paycheck Protection Program, the accompanying links will provide guidance if your company is backed by "investors". We recommend that you review first before proceeding with this Program:

- <https://smartasset.com/financial-advisor/ppp-loans-vc-pe-firms>
- <https://www.hklaw.com/en/insights/publications/2020/04/guidance-for-vc-backed-companies-seeking-loans>

The program would provide cash-flow assistance through 100 percent federally guaranteed loans to employers who maintain their payroll during this emergency. If employers maintain their payroll, the loans would be forgiven, which would help workers remain employed, as well as help affected small businesses and our economy snap-back quicker after the crisis. PPP has a host of attractive features, such as **forgiveness of up to 8 weeks of payroll based on employee retention and salary levels, no SBA fees, and at least six months of deferral with maximum deferrals of up to a year.** Small businesses and other eligible entities will be able to apply if they were harmed by COVID-19 between **February 15, 2020 and June 30, 2020.** This program would be retroactive to **February 15, 2020**, in order to help bring workers who may have already been laid off back onto payrolls. **Loans are available through June 30, 2020.**

DETERMINATION

Depending on your business's situation, the loan size will be calculated in different ways (see below). The maximum loan size is always **\$10 million**.

- **If you were in business February 15, 2019 – June 30, 2019:** Your max loan is equal to 250 percent of your average monthly payroll costs. If your business is a seasonal employer, the max loan is equal to **250 percent of your average monthly payroll costs between February 15, 2019 to June 30, 2019;** you can also opt to choose **March 1, 2019** as your time period start date.
- **If you were not in business between February 15, 2019 – June 30, 2019:** Your max loan is equal to 250 percent of your average monthly payroll costs between **January 1, 2020 and February 29, 2020.**
- **If you took out an Economic Injury Disaster Loan (EIDL) 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.





Loan Term, Interest Rate, and Fees

- For any amounts not forgiven, the maximum term is 10 years, the maximum interest rate is 4 percent, zero loan fees, zero prepayment fee (SBA will establish application fees caps for lenders that charge).

Forgiveness Amount Calculated

- Forgiveness on a covered loan is equal to the sum of the following payroll costs incurred during the covered 8 week period compared to the previous year or time period, proportionate to maintaining employees and wages (excluding compensation over \$100,000):
 - Payroll costs **plus** any payment of interest on any covered mortgage obligation (not including any prepayment or payment of principal on a covered mortgage obligation) **plus** any payment on any covered rent obligation **plus** and any covered utility payment.

Forgiveness on the PPP Loan

You must apply through your lender for forgiveness on your loan. In this application, you must include:

- Documentation verifying the number of employees on payroll and pay rates, including IRS payroll tax filings and State income, payroll and unemployment insurance filings.
- Documentation verifying payments on covered mortgage obligations, lease obligations, and utilities.
- Certification from a representative of your business or organization that is authorized to certify that the documentation provided is true and that the amount that is being forgiven was used in accordance with the program's guidelines for use.

Forgiveness Period

- Any loan amounts not forgiven are carried forward as an ongoing loan with max terms of 10 years, at a maximum interest rate of 4%. Principal and interest will continue to be deferred, for a total of 6 months to a year after disbursement of the loan. The clock does not start again.

Where to Obtain the PPP Loan

- All current SBA 7(a) lenders are eligible lenders for PPP. The Department of Treasury will also be in charge of authorizing new lenders, including non-bank lenders, to help meet the needs of small business owners.

PPP Loan Coordinated with SBA's Existing Loans

- Borrowers may apply for PPP loans and other SBA financial assistance, including Economic Injury Disaster Loans (EIDLs), 7(a) loans, 504 loans, and microloans, and also receive investment capital from Small Business Investment Corporations (SBICs). **However, you cannot use your PPP loan for the same purpose as your other SBA loan(s).** For example, if you use your PPP to cover payroll for the 8-week covered period, you cannot use a different SBA loan product for payroll for those same costs in that period, although you could use it for payroll not during that period or for different workers.

PPP Loan and How it Works with the Temporary Emergency Economic Injury Grants and the Small Business Debt Relief Program

- Emergency Economic Injury Grant and Economic Injury Disaster Loan (EIDL) recipients and those who receive loan payment relief through the Small Business Debt Relief Program may apply for and take out a PPP loan as long as there is no duplication in the uses of funds. Refer to those sections for more information.





Actions:

- a) **Call your bank now, and tell them you intend to apply.**
- b) **Time is of the essence** as the initial money will run out, although it is quite possible Phase IV of the Congressional COVID-19 response will expand the funding beyond \$350 billion.
- c) These loans will be administered by the Small Business Administration “SBA”-recognized banks and possibly include other non-SBA banks. **It is a Section 7(a) SBA program.**
- d) Feedback from bankers reveals that it might be two or more weeks for processing, but some anticipate forms for applications to be produced expeditiously.
- e) **You will need to do some calculations. The maximum loan is \$10 million or 2.5 times your payroll and some other costs.**
 - i. Several calculations might be required but, basically, **determine your average monthly payroll for the 12 months preceding the date in which the loan is made.**
 - ii. That means you calculate the payroll costs from **April 1, 2019, to March 31, 2020** (assuming you get a loan in April 2020).
 - iii. Payroll costs include several items, so check with us or your accountant for what is included in this amount. Independent contractors you hire would also qualify.
- f) The loans will be non-recourse and will not require collateral.
- g) **There are several things you can pull together now.**

NOTE: PLEASE REACH OUT TO TABS FOR YOUR COMPANY’S INDIVIDUAL RECORDS THAT THEY RETAIN ON YOUR BEHALF.

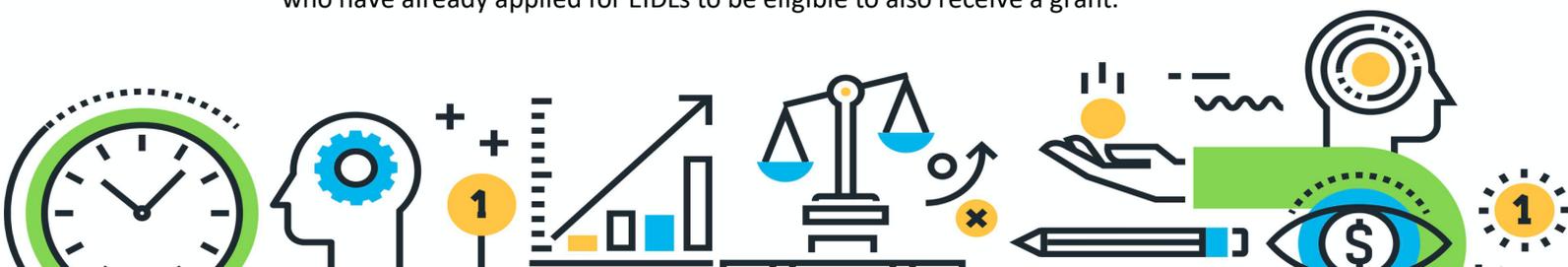
 - i. Average monthly payroll;
 - ii. Number of Full Time Equivalents during that same period;
 - iii. Estimate percentage of your normal operations functioning now;
 - iv. Some idea of how much you might be requesting;
 - v. Financial statements as recent as you might have;
 - vi. Links or copies of your latest filed tax returns;
 - vii. Payroll Tax Returns for the last several quarters; and
 - viii. Your Forms 1099 MISC for independent contractors you may be claiming as included in the loan amount calculations.
- h) Don’t forget about the **required certification** that your business needs this money because of the current health crisis and the uncertainty that puts on the business’s ability to pay its employees and continue to function normally.
- i) **Some or all of the loan amount will be forgiven, depending on how you spend that loan.**
- j) A long list of expenditures exists that, when documented, will permit the business that loan forgiveness.

II. ECONOMIC INJURY DISASTER LOAN “EIDL”/Emergency Economic Injury Grants

These grants provide an emergency advance of up to \$10,000 to small businesses and private non-profits harmed by COVID-19 within three days of applying for an SBA Economic Injury Disaster Loan (EIDL). To access the advance, you first apply for an EIDL and then request the advance. **The advance does not need to be repaid under any circumstance**, 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.

Emergency Economic Injury Grants

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





Emergency Economic Injury Grant, and a PPP Loan

- Whether you've already received an EIDL unrelated to COVID-19 or you receive a COVID-19 related EIDL and/or Emergency Grant between January 31, 2020 and June 30, 2020, you may also apply for a PPP loan. 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.

Apply for an Economic Injury Disaster Loan

- To apply for an EIDL online, please visit <https://disasterloan.sba.gov/ela/>
Your SBA District Office is an important resource when applying for SBA assistance.
- a) Provisions exist for an **EIDL Grant of \$10,000**, which is a request for an emergency advance if you are:
 - i. Otherwise applying for an EIDL loan;
 - ii. You must be an eligible entity;
 - iii. If used for expenses like payroll, rent, supply chain costs, and certain other expenses, the payback is not necessary; and
 - iv. Any PPP loan would be reduced by this advance.
- b) The EIDL loans may be granted up to **\$2 million**.
- c) They are more difficult to get and may take longer.
- d) The amounts advanced are likely to be recourse and backed up by personal guarantees of **20% owners**.
- e) These loans will be **collateralized**.
- f) **In addition to the items necessary for applying for this loan:**
 - I. **Itemize your liabilities** (they can be grouped for now);
 - II. Prepare yourself to **submit personal financial statement details**. You might refer to your latest bank form for your most recent loan and update it;
 - III. Include your **monthly sales report**;
 - IV. Prepare some **projection of what you expected** in revenue and expenses:
 1. Do one for **before the health crisis and one after**.
 2. This is not required but might smooth the acceptance process.
 - V. There will be forms and other items to fill out and sign. *We or your advisors can help guide you on this.*

III. SMALL BUSINESS DEBT RELIEF PROGRAM

This program will provide immediate relief to small businesses with non-disaster SBA loans, in particular 7(a), 504, and microloans. Under it, SBA will cover all loan payments on these SBA loans, including principal, interest, and fees, for six months. This relief will also be available to new borrowers who take out loans within six months of the President signing the bill into law.





SBA Loans are Eligible for Debt Relief Under this Program

- 7(a) loans not made under the Paycheck Protection Program (PPP), 504 loans, and microloans. Disaster loans are not eligible (see p. 7 for more information on these).

Debt Relief Under this Program and How it Works with a PPP Loan

- Borrowers may separately apply for and take out a PPP loan, but debt relief under this program will not apply to a PPP loan.

Eligibility for a 7(a), 504, or Microloan

- In general, businesses must meet size standards, be based in the U.S., be able to repay, and have a sound business purpose. To check whether your business is considered small, you will need your business's 6-digit North American Industry Classification System (NAICS) code and 3-year average annual revenue. Each program has different requirements, see <https://www.sba.gov/funding-programs/loans> for more details.

How to apply for 7(a) Loan

- 7(a) loans are an affordable loan product of up to \$5 million for borrowers who lack credit elsewhere and need access to versatile financing, providing short-term or long-term working capital and to purchase an existing business, refinance current business debt, or purchase furniture, fixtures and supplies. In the program, banks share a portion of the risk of the loan with SBA. There are many different types of 7(a) loans, you can visit this site to find the one that's best for you. You apply for a 7(a) loan with a bank or a mission-based lender. SBA has a free referral service tool called Lender Match to help find a lender near you.

How to Apply for a 504 Loan

- The 504 Loan Program provides loans of up to \$5.5 million to approved small businesses with long-term, fixed-rate financing used to acquire fixed assets for expansion or modernization. It is a good option if you need to purchase real estate, buildings, and machinery. You apply through a Certified Development Company, which is a nonprofit corporation that promotes economic development. SBA has a free referral service tool called Lender Match to help find a lender near you.

How to Apply for a Microloan

- The Microloan Program provides loans up to \$50,000 to help small businesses and certain not-for-profit childcare centers to start up and expand. The average microloan is about \$13,000. These loans are delivered through mission-based lenders who are also able to provide business counseling. SBA has a free referral service tool called Lender Match to help find a microlender near you.

IV. IRS: EMPLOYEE RETENTION CREDIT

NOTE: YOU CANNOT GET BOTH A SMALL BUSINESS LOAN UNDER THE PAYROLL PROTECTION (PPP) AND CLAIM A TAX CREDIT.

The Treasury Department and the Internal Revenue Service today launched the **Employee Retention Credit**, designed to encourage businesses to keep employees on their payroll. **The refundable tax credit is 50% of up to \$10,000 (for each employee) in wages paid by an eligible employer whose business has been financially impacted by COVID-19.**





Qualifications to Receive the Employee Retention Credit

The credit is available to all employers regardless of size, including tax-exempt organizations. There are only two exceptions: State and local governments and their instrumentalities and small businesses who take small business loans.

Qualifying Employers Must Fall into One of Two Categories

1. The employer's business is fully or partially suspended by government order due to COVID-19 during the calendar quarter.
2. **The employer's gross receipts are below 50% of the comparable quarter in 2019. Once the employer's gross receipts go above 80% of a comparable quarter in 2019, they no longer qualify after the end of that quarter.**

***These measures are calculated each calendar quarter.**

Calculating the Credit

- The amount of the credit is 50% of **qualifying wages** paid up to \$10,000 in total. Wages paid after March 12, 2020, and before Jan. 1, 2021, are eligible for the credit. Wages taken into account are not limited to cash payments, but also include a portion of the cost of employer provided health care.

Wages that Qualify

Qualifying wages are based on the average number of a business's employees in 2019.

- **Employers with less than 100 employees:** If the employer had 100 or fewer employees on average in 2019, the credit is based on wages paid to all employees, regardless if they worked or not. If the employees worked full time and were paid for full time work, the employer still receives the credit.

Eligible Employer/Receiving Credit

- Employers can be immediately reimbursed for the credit by reducing their required deposits of payroll taxes that have been withheld from employees' wages by the amount of the credit.
- Eligible employers will report their **total qualified wages and the related health insurance costs for each quarter on their quarterly employment tax returns or Form 941 beginning with the second quarter.** If the employer's employment tax deposits are not sufficient to cover the credit, the employer may receive an advance payment from the IRS by submitting [Form 7200, Advance Payment of Employer Credits Due to COVID-19](#).
- Eligible employers can also request an advance of the Employee Retention Credit by submitting [Form 7200](#).

Additional Information on the Employer Retention Credit and Other COVID-19 economic Relief Efforts?

- Updates on the implementation of this [Employee Retention Credit](#), [Frequently Asked Questions on Tax Credits for Required Paid Leave](#) and other information can be found on the [Coronavirus](#) page of IRS.gov. <https://www.irs.gov/coronavirus-tax-relief-and-economic-impact-payments>





V. NEW YORK CITY SMALL BUSINESS CONTINUITY LOAN

To help small businesses deal with the impact of COVID-19, the City has launched the NYC Small Business Continuity Loan Program. This program is available to New York City businesses with fewer than 100 employees that can demonstrate at least a **25% decrease** in revenue as a result of COVID-19. Eligible businesses can apply for an interest-free loan up to **\$75,000; awards are first come first served.**

Eligible Businesses

- Be located within the five boroughs of New York City
- Demonstrate that the COVID-19 outbreak caused at least a 25% decrease in revenue
- Employ fewer than 100 employees in total across all locations
- Have been in operation for at least 2 years
- Demonstrate ability to repay the loan
- Have no outstanding tax liens or legal judgements

Revenue Loss

To calculate the revenue impact of COVID-19, we will compare average revenue for two months in 2020 (after the COVID-19 impact) to both:

- average revenue for the same two month period in 2019, and
- average monthly revenue based on total 2019 revenue.

Calculations will be checked to show at least a 25% decrease in revenue.

Supporting Documents for Program Eligibility

To verify the loss of revenue, you will need to upload:

- Financial documents for two months in 2020 demonstrating revenue decrease due to COVID-19
- Financial documents showing your revenue for the same two months in 2019
- Financial documents showing your revenue for the full 2019 calendar year

Financial documents can include: point-of-sales reports or screenshots, sales reports (demonstrating fees collected or earned income), bank statements, transaction level data from banks, quarterly sales tax filings, tax returns, or profit & loss statements.

To confirm your eligibility, you will also need to upload:

- A signed [Participation Affidavit](#) verifying that you are eligible for the program

How to Apply

You can apply for the program by following the steps below:

1. Review the program's guidelines and determine if your business is eligible.
2. Gather the [appropriate documents](#).

Visit the website to begin your preliminary application.

<https://sbsconnect.nyc.gov/SignIn?ReturnUrl=%2Fservices%2Fbel%2Feligibility%2F>

3. **Please note that this is the first step of the process to apply for the NYC Small Business Continuity Loan. Once you complete this step, we will send you a link to the application on our partner lender's site.**

