

Information on Emergency Small Business Assistance

The recently enacted Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) contained a number of provisions designed to assist small businesses. The U.S. Small Business Administration (“SBA”) has been tasked with overseeing the implementation and administration of this Act. Franklin County offers this guide to help you understand this recently enacted Federal law, **but please visit the [SBA’s website](#) to learn more about all the resources available to assist small businesses in responding to the COVID-19 pandemic.**

I. New Initiatives to Provide Small Businesses with Working Capital

The CARES Act created three new programs that small businesses can take advantage of, depending on their specific circumstances:

1. The Paycheck Protection Program (PPP)

The Paycheck Protection Program will guarantee any loan, made by an authorized private sector SBA lender, to an eligible small business for the purpose of providing working capital to that small business in order to (1) for the borrower to keep the business open, and (2) for the borrower to keep all of its employees on the payroll. If the borrower meets condition 2 (keeping its employees on the payroll) the loan will be “*forgiven*” (the SBA will repay the lender on behalf of the small business).

Additional details of include:

- In general, eligible businesses are those with 500 or fewer employees that are affected by a COVID-19 mandated shutdown/slowdown. 501(c)(3) and 501(c)(19) non-profit entities are also eligible
- The maximum loan amount is \$10 million. The amount of the loan is determined by a formula based on upon two months of a borrower’s payroll costs.
- ***All loan terms will be the same:***
 - Loan term: 2 years
 - Interest rate: 1%
 - All loan repayments are deferred for the first six months.
- Loans can be used for covering payroll (for employees making less than \$100k/year), benefits, rent, mortgage payments, utilities, and repayment of operating-related debts incurred before the crisis.
- A business can receive only one PPP loan.
- Collateral is not required, and the loan does not need to be personally guaranteed.
- Small businesses and sole proprietorships can apply starting April 3rd. Independent contractors and self-employed individuals can apply starting April 10th.
- The program is open through June 30th. *The SBA encourages interested businesses to apply as quickly as possible.*

To access additional information on this program, click [here](#) for a fact sheet, or visit the [SBA’s website](#). The SBA can also connect you to an approved lender via their website as well

2. The Small Business Debt Relief Program

SBA will make all payments (including principle, interest, and fees) on an eligible

business's current SBA loans, including 7(a) loans, 504 loans, and microloans, for six months. *In addition, borrowers who take out new SBA loans within the next six months will also receive this benefit.*

Brief summaries of these SBA loan products are as follows:

- **SBA 7(a) loan:** 7(a) loans can provide up to \$5 million for borrowers who lack credit elsewhere and need access to short-term or long-term working capital. There are many different types of 7(a) loans.
- **SBA 504 loan:** 504 loans can provide up to \$5.5 million in long-term, fixed-rate financing to be used for the acquisition of fixed assets like real estate, buildings, and/or machinery.
- **SBA microloan:** Microloans can provide up to \$50,000 to help small businesses and certain non-profit childcare centers to start up and expand. Microloans are typically originated through mission-based lenders who are also able to provide business counseling.

The most prominent mission-based lender in Central Ohio is the Economic and Community Development Institute (ECDI). Franklin County has partnered with ECDI to launch a “Quick Strike” small business fund, more information on the Quick Strike fund can be found [here](#).

Refer to the SBA’s website to [learn more](#) about each of these programs, or to [find a lender](#).

3. The Emergency Economic Injury Grant Program

This program awards a \$10,000 emergency advance to small businesses that choose to apply for the SBA's already-existing Economic Injury Disaster Loan (EIDL) Program. To receive this grant, businesses must apply first for an EIDL and request the advance in their application.

Additional details of this program include:

- The grant will be awarded within three days of applying for an EIDL
- Grants will be available between 1/31/20 and 12/31/20
- The grant 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

A summary of the SBA’s Economic Injury Disaster Loan (EIDL) Program follows:

- The EIDL is a low interest loan of up to \$2 million whose purpose is to help a small business going through an unforeseen "disaster" stay open. At this time, all fifty states have been declared to be in a state of "disaster" by the SBA, and thus all businesses are eligible to apply for an EIDL.
- EIDL loans are originated by the SBA. The SBA Administrator has discretion over principal amounts and interest repayment periods/deferments
- Eligible borrowers include small businesses with fewer than 500 employees, sole proprietorships, and nonprofit 501(c)(3) organizations
- Businesses cannot use funds awarded through the PPP program to cover the same expenses covered by funds received from the EIDL.

To learn more about the EIDL loan program, visit the [SBA's website](#).

II. Temporary Tax Policy Changes

The CARES Act also creates a new tax credit, and allows for businesses to defer payment of certain employer payroll taxes. However, it is important to note that businesses that take advantage of the PPP program are NOT eligible to neither claim the tax credit nor delay their 2020 payroll tax payments.

4. Employer Retention Tax Credit

Businesses whose operations have been fully or partially suspended as a result of the crisis can receive a 50% payroll tax credit for each impacted employee.

Additional details concerning this tax credit include:

- Only the wages of employees who are furloughed or face reduced hours are eligible to be counted against the tax credit. However, if the business has fewer than 100 employees, all employees wages are counted (not just furloughed employees' wages)
- The credit provided for only the first \$10,000 in wages and benefits paid to each eligible employee
- Wages do not include time taken/payouts made to employees for paid sick leave or paid family leave

To learn more about the Employer Retention Tax Credit, visit the [IRS website](#).

5. Delay of Payment of Employer Payroll Taxes

The payment of the employer portion of certain payroll taxes can be delayed until 2021 and 2022:

- The amount of 2020 payroll taxes not paid by a business will be totaled and paid in two equal installments, one at the end of 2021 and the other at the end of 2022
- Payroll taxes eligible to be deferred include the employer portion of FICA, half the SECA tax liability, and (for those this tax applies to) the employer portion of railroad retirement taxes

To learn more about these and other tax credits, visit the [IRS website](#).

III. Additional Resources to Business Assistance Centers (Indirect Assistance)

The CARES Act also strengthens the small business community by providing additional financial support to the nation's network of Small Business Development Centers (SBDCs), Women's Business Centers (WBCs), and Minority Business Development Centers (MBDCs). These groups are receiving additional funding to boost their administrative capacity (e.g.: hire staff/procure necessary equipment) so that they may serve additional business owners in this time of need.

These organizations are dedicated to assisting small business owners in understanding and applying for all of the above federal small business assistance programs. Businesses with these questions are actively being encouraged to contact their local SBDC/WBC/MBDC if they are uncomfortable/unable to contact to SBA directly. You can reach Franklin County's partner organizations here:

- [Small Business Development Center at Columbus State Community College](#)
- [Women's Business Centers of Ohio](#)
- [Ohio Minority Business Assistance Center](#)