

Small Business Loans for COVID-19

Updated on March 31, 2020

This area of our Resource Center was created to help connect you with loan and other assistance programs created by federal, state, and local governments for small businesses impacted by the COVID-19. For specifics on these programs, visit the links below and contact the program directly. Since the situation is evolving rapidly, please check back for new developments. We will be updating this page regularly.

SBA Paycheck Protection Program (added 3.31.20)

The Paycheck Protection Program (PPP) is a new loan program for small businesses. The program will be administered by the Small Business Administration (SBA), which will fully guarantee loans provided by approved lenders to eligible entities. Forgiveness of these loans is also available under certain circumstances. Here are some additional facts about the PPP:

Eligible Businesses:

Businesses and nonprofit organizations with no more than 500 employees are eligible for the PPP through June 30, 2020. Businesses must have been in operation, with employees, on February 15, 2020. There are special rules for determining the 500-employee limit (for example, for employers in the Hospitality and Food Service industries (NAICS code 72), the 500-employee limit may be determined based on the number of employees per physical location). Certain franchises may also qualify as separate businesses.

Maximum Loan Amount:

PPP loans will be provided in amounts approximately equivalent to ten weeks of payroll costs. Loan amounts are determined based on 250% of average monthly payroll costs, taking into consideration average wages paid during a one-year period preceding the loan, up to a limit of \$10 million. There are alternate periods for seasonal employers and those not in business in the prior year.

In addition to wages, commissions, and other compensation, the calculation of payroll costs includes healthcare costs such as insurance premiums, state/local employer taxes, and other specified costs. However, this calculation excludes the proportionate share of annual wages over \$100,000 per employee, as well as federal employment taxes.

Loan Uses:

- Payroll costs
- Costs related to the continuation of group health care benefits during periods of paid sick, medical or family leave, and insurance premiums
- Employee compensation
- Payments of interest on any mortgage obligation
- Rent
- Utilities
- Interest on any other debt obligations incurred before February 15, 2020

Loan Forgiveness:

Up to 100 percent of the PPP loan is forgivable (to the extent that employers maintain specified employment and wage levels), and the loan amounts forgiven are excluded from taxable income for federal income tax

purposes. The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities (however, the SBA has announced that due to likely "high subscription," at least 75 percent of the forgiven amount must have been used for payroll).

To determine the amount that will be forgiven, the average number of full-time equivalent employees per month will be compared to either the prior-year period or January through February of 2020. An alternate calculation may apply for seasonal employers. A similar comparison will apply to wage levels.

Repayment of a proportionate part of the loan may be required if earnings of any employee is reduced by 25% or more compared to the most recent full quarter of employment before the covered period. However, this rule may not apply to employees who received, for any single pay period in 2019, annualized earnings over \$100,000 (over \$8,333 per month or \$4,167 for a semimonthly pay period, in 2019). In addition, reductions in the number of employees or compensation occurring between February 15 and April 26, 2020 will not be considered in reducing the loan forgiveness amount if reversed by June 30, 2020.

Lenders will be required to obtain specified documentation to demonstrate employment and wage levels through the period.

Note: RUN Powered By ADP® clients now have access to a new report that will provide payroll data to help them complete the application. In RUN, the report is called *CARES SBA-PPP: Monthly Payroll Cost*.

Applying for PPP Loans:

Employers can apply through any existing SBA lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Other regulated lenders will be available to make these loans once they are approved and enrolled in the program. Employers should consult with your local lender as to whether it is participating in the program.

Lenders may begin processing loan applications as soon as April 3, 2020. If you wish to begin preparing your application, you can download a sample form to see the information that will be requested.

Borrowers won't be required to make a personal guarantee for the loan or to provide collateral, and don't need to be unable to obtain credit elsewhere. Borrowers must make certain good-faith certifications, including, but not limited to, that the uncertainty of current economic conditions makes the loan request necessary to support the ongoing operations. Borrowers must also acknowledge that funds will be used to retain workers and maintain payroll or make mortgage interest payments, lease payments, and utility payments.

Interplay with Economic Injury Disaster Loans (EIDL) Program:

An employer that applies for an EIDL (regardless of whether related to COVID-19) may also apply for a PPP loan, so long as both loans are not used for the same purpose or are otherwise duplicative. An employer can also refinance an existing EIDL into a PPP loan by adding the amount of an EIDL to the sum of the payroll costs. However, any advance amount received under the EIDL Grant Program would be subtracted from the amount forgiven of the PPP loan.

Restrictions:

- Loan proceeds may not be used to pay:
 - Wages exceeding \$100,000 per employee (prorated for the covered period)
 - Federal employment taxes
 - Employees who live outside the U.S.
 - FFCRA paid sick or family leave wages for which credit is allowed
- Employers that participate in the PPP are not permitted to defer employer Social Security taxes under Section 2302 of the CARES Act.

- Employers that receive the Employee Retention Credit for Closures Due to COVID-19 are not eligible for the PPP.

Small businesses should work with an experienced financial advisor to carefully assess all of the available assistance programs to determine the interplay and best option for their specific circumstances. More information on the PPP can be found [here](#).

SBA Economic Injury Disaster Loan (updated 3.31.20)

The U.S. Small Business Administration (SBA) is offering low-interest federal disaster loans for working capital to small businesses suffering substantial economic injury as a result of the coronavirus 2019 (COVID-19). Here are some facts about the loans:

- Small business owners in all U.S. states and territories are currently eligible to apply for such loans.
- The interest rate is 3.75% for small businesses. The interest rate for non-profits is 2.75%.
- These loans offer up to \$2 million in assistance for small businesses experiencing a temporary loss of revenue.
- The loans may be used to pay fixed debts, payroll, accounts payable and other bills that can't be paid because of COVID-19's impact.
- Small businesses are encouraged to [apply online](#) for the loan.

General EIDL Approval Criteria:

- **Credit history.** Applicants must have a credit history acceptable to the SBA.
- **Repayment ability.** The SBA must determine that the business has the ability to repay the EIDL.
- **Eligibility.** The business must have suffered working capital losses due to the declared disaster.

Advances/Grants:

An eligible business that applies for an EIDL can also obtain an emergency advance of up to \$10,000 within three days of when the SBA receives the EIDL application. To access the advance, businesses must 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.

Certain Rules Are Waived:

Until December 31, 2020, the following EIDL rules are waived:

- Any rules related the personal guarantee on advances and loans of no more than \$200,000 for all applicants;
- The requirement that an applicant needs to be in business for the one-year period before the disaster, except that no waiver may be made for a business that wasn't in operation on January 31, 2020; and
- A requirement that an applicant be unable to obtain credit elsewhere.

Other Rules that **May** Be Waived:

The SBA also has the authority, but isn't required to:

- Approve an applicant based solely on their credit score and wouldn't require an applicant to submit a tax return or a tax return transcript for such approval; or
- Use alternative appropriate methods to determine an applicant's ability to repay.

Interplay with PPP:

An employer that applies for an EIDL (regardless of whether related to COVID-19) may also apply for a PPP loan, so long as both loans are not used for the same purpose. An employer can also refinance an existing EIDL into a PPP loan by adding the amount of an EIDL to the sum of the payroll costs. However, any advance amount received under the EIDL Grant Program would be subtracted from the amount forgiven of the PPP loan.

Small businesses should work with an experienced financial advisor to carefully assess all of the available assistance programs to determine the interplay and best option for their specific circumstances. More information is available [here](#). For questions, contact the SBA disaster assistance customer service center at 1-800-659-2955 (TTY: 1-800-877-8339) or e-mail disastercustomerservice@sba.gov.