



COVID-19 UPDATE: RESOURCES FOR LOCALITIES

MEMORANDUM

TO: Sustainable Strategies DC Clients & Colleagues

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DATE: April 3, 2020

SUBJECT: Federal Resources to Support Small Businesses

This memorandum provides helpful information on the federal resources made available to support small businesses impacted by the coronavirus pandemic for local government to share with their business community members.

As communities continue to grapple with the novel coronavirus (COVID-19), small businesses are struggling to stay afloat and support their workers, as their hours of operation have been greatly reduced or they have closed their doors entirely. The result is considerable financial strain that is set to continue into the coming months. In response, multiple new and existing programs have been created or expanded to support businesses hardest hit by the economic fallout of the coronavirus. These measures include additional funding for low-interest and guaranteed loans, payroll and operating expense support, tax and loan deferments and relief, loan assistance for several distressed industries, direct financial aid to families, and technical assistance.

Sustainable Strategies DC has put this summary together to provide an overview of the federal resources available or soon to become available to support small businesses facing the impacts of COVID-19. Please note that the information provided below may change as additional guidance becomes available from the Small Business Administration (SBA), the Department of Treasury, and other federal agencies that will guide the programs created through the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

SUMMARY OF PROGRAMS IN THIS MEMO:

Resources Available Now:

- ♦ **SBA Economic Injury Disaster Loans:** Provides businesses of all sizes, private non-profit organizations, homeowners, and renters with working capital loans of up to \$2 million that can provide vital economic support to help overcome the temporary loss of revenue they are experiencing.
- ♦ **SBA Paycheck Protection Program Loans (opens April 3):** Provides loans of up to 2.5 times the monthly payroll expenses of businesses and nonprofit organizations employing

fewer than 500 people (where the loan amount is the lesser of \$10 million or the sum of 2.5 times the average total monthly payroll costs for the prior year). This may include payroll support, employee salaries, mortgage payments, rent, utilities, and any other debt obligations incurred before the covered period. These loans are intended to be used as a partial revenue replacement program to get small businesses through this period of severe disruption without having to make drastic changes to their operating footprint.

- ◆ **SBA Express Bridge Loan Pilot Program:** Provides up to \$25,000 with less paperwork to small businesses who currently have a relationship with an SBA Express Lender while waiting for decision and disbursement of Economic Injury Disaster Loans.
- ◆ **SBA Economic Injury Disaster Loan Advance (opens April 3):** Provides \$10,000 in advanced loans to provide rapid economic relief to businesses that are currently experiencing temporary loss of revenue. Loan advances made through this program will not have to be repaid by the borrower even if they are subsequently denied for a loan.
- ◆ **Treasury Employee Retention Tax Credit (effective April 1):** Provides a refundable tax credit equaling 50 percent of up to \$10,000 in wages paid by all employers, regardless of size, whose business has been financially impacted by the coronavirus. These retention credits are only available for small businesses if they forgo taking the new SBA Paycheck Protection Program loans.
- ◆ **IRS People First Initiative:** Provides taxpayers relief on a variety of issues ranging from easing payment guidelines to postponing compliance actions.

Resources Soon to Become Available:

- ◆ **Federal Reserve Main Street Business Lending Program:** This soon to be announced program will support lending to eligible small-and-medium sized businesses, complementing efforts by the SBA. However, program specifics have not yet been announced.
- ◆ **Treasury Exchange Stabilization Fund:** Provides \$500 billion in equity to lending facilities to support the flow of credit to employers, consumers, and businesses by establishing new programs to guarantee money market mutual funds, extremely critical financial instruments to short-term liquidity in the market, until the end of the year. Treasury will also implement a special lending facility targeted specifically at nonprofit organizations and businesses between 500 and 10,000 employees, subject to additional loan criteria and obligations.

DETAILED DESCRIPTIONS OF PROGRAMS:

SBA ECONOMIC INJURY DISASTER LOANS:

Small businesses, private non-profit organizations, homeowners, and renters can secure up to \$2 million, with loan amounts based on an assessment of actual economic injury, to help overcome the temporary loss of revenue they are experiencing as a direct result of the coronavirus. On Monday, March 23, the SBA also issued an automatic deferment on existing SBA Disaster Loans through December 31, 2020 to help borrowers still paying back SBA loans from previous disasters.

Eligibility:

Eligible applicants may include small businesses, small agricultural cooperatives, and most private nonprofit organizations. These loans may be used to pay fixed debts, payroll, accounts payable and

other bills that can't be paid because of the disaster's impact. The interest rate is 3.75% for small businesses. The interest rate for non-profits is 2.75%. Loans will be offered with long-term repayments of up to a maximum of 30 years.

How to apply:

Applicants are encouraged to [apply online](#) for a disaster loan. If you do not have access to a computer or smartphone, please call us at 1-800-659-2955 for assistance.

Key materials businesses will need to apply for an EIDL include:

- Employee Identification Number
- The date of establishment
- Number of years under current management
- Names and addresses of contacts for Loss Verification Inspection
- Personal information including birth dates, Social Security numbers, phone numbers and ownership percentages for each of the business' owners
- Additional information will need to be provided if any of the business' owners own a more than 50 percent stake in a different business
- Personal financial statements will need to be completed for each owner
- The value of cash, receivables, personal property
- The amount of debts
- The amount of liabilities that you are contingently liable for (i.e. what is the dollar value of loans that you guarantee)

SBA PAYCHECK PROTECTION PROGRAM: The Paycheck Protection Program, established in the CARES Act, is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. This program, established in the CARES Act, provides eight (8) weeks of cash-flow assistance through 100 percent federally guaranteed loans. Loans will be made up to 2.5 times the monthly payroll expenses of eligible organizations employing fewer than 500 people (where the loan amount is the lesser of \$10 million or the sum of 2.5 times the average total monthly payroll costs for the prior year). This may include payroll support, employee salaries, mortgage payments, rent, utilities, and any other debt obligations incurred before the covered period. SBA will forgive loans if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities; loan forgiveness cannot exceed the principal amount of the loan. Any reduction in employees or salaries and wages will result in a reduction in an eligible forgiveness amount.

Eligibility:

Eligible entities for this program include small business with 500 employees or fewer; self-employed individual or "gig economy" individual; 501(c)(3) organizations; 501(c)(19) veterans' organizations; and, tribal business concerns with under 500 employees. Small businesses in the hospitality and food industry with more than one location could also be eligible if their individual locations employ less than 500 workers

Businesses in certain industries may have more than 500 employees if they meet the [SBA's size standards](#) for those industries.

If an entity is eligible for the program, lenders will issue a loan based solely on if a business was in operation on February 15, 2020, and if it paid salaries and payroll taxes.

How to Apply:

Small businesses must work directly with their participating lender in order to apply. To see the information that will be requested from you and begin preparing an application, download a copy of the [PPP borrower application form](#). You can find an eligible Payroll Protection Program Lender via [SBA's Lender Match Tool](#) or by contacting your [SBA District Office](#).

SBA ECONOMIC INJURY DISASTER LOAN EMERGENCY ADVANCE:

The CARES Act includes \$10 billion in funding to provide an advance of \$10,000 to small businesses and nonprofits that apply for an SBA economic injury disaster loan (EIDL) within three days of applying for the loan. The loans may be used to pay for expenses that could have been met had the disaster not occurred, including and may be used to provide paid sick leave to employees, maintain payroll, meet increased production costs due to supply chain disruptions, or pay business obligations, including debts, rent and mortgage payments.

Eligibility:

The grant is available to businesses with fewer than 500 employees, private nonprofits, cooperatives, a tribal business concern, and 501(c)(19) veterans' organizations with fewer than 500 employees or any individual operating as a sole proprietor or an independent contractor. Eligible recipients must have been in operation on January 31, 2020.

Businesses in certain industries may have more than 500 employees if they meet the [SBA's size standards](#) for those industries.

How to Apply:

To apply for a COVID-19 Economic Injury Disaster Loan and loan advance, [click here](#).

SBA EXPRESS BRIDGE LOAN PILOT PROGRAM:

The Express Bridge loan program allows SBA Express lenders to provide expedited financing up to \$25,000 to small businesses located in declared disaster areas. Express Bridge loans are intended to be interim loans. Businesses use these funds for disaster-related purposes while they apply for and await long-term financing.

Only lenders that were already participating in the SBA Express program at the time of the disaster can issue Express Bridge loans. These lenders may issue Express Bridge loans only to eligible small businesses that had an existing banking relationship with the lender at the time of the disaster. For the COVID-19 Emergency Declaration, EBL loan proceeds must be disbursed as working capital.

Lenders can issue Express Bridge loans up to six months after the disaster declaration. Lenders may require a borrower to pay down or pay off the Express Bridge loan if the borrower is approved for long-term disaster financing that may be used to reimburse the Express Bridge loan. The maximum Express Bridge Loan term is 7 years.

Eligibility:

To be eligible for an Express Bridge Loan, a small business must be located, at the time of the disaster, in a county that has been declared as a disaster area, or any contiguous county. The loan must be used to support the survival and/or reopening of the small business within the affected

county. Effective March 25, 2020, SBA provides expanded program eligibility to include small businesses nationwide adversely impacted under the Coronavirus Disease (COVID-19) Emergency Declaration issued by President Trump on March 13, 2020.

How to Apply:

You can find an Express Bridge Loan Lender via [SBA's Lender Match Tool](#) or by contacting your [SBA District Office](#). Links to the required forms can be found beginning on page 11 of the [Express Bridge Loan Pilot Program Guide](#).

TREASURY EMPLOYEE RETENTION TAX CREDIT:

Employee Retention Tax credits are available to any employer, including non-profits, whose business has been fully or partially closed as a result of the COVID-19. The amount of the credit is 50 percent of qualifying wages paid up to \$10,000 in total for each employee. Wages paid after March 12, 2020, and before January 1, 2021 are eligible for the credit. Wages considered are not limited to cash payments, but also include a portion of the cost of employer provided health care.

Eligibility:

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 percent of the comparable quarter in 2019. Once the employer's gross receipts go above 80 percent of a comparable quarter in 2019, they no longer qualify after the end of that quarter.

These measures are calculated each calendar quarter.

Employers with more than 100 employees can only claim wages and/or health insurance for employees that are furloughed. Regardless of employer size, the credit is limited to \$10,000 of wages and benefits per employee.

Employers with less than 500 employees may only utilize these retention credits if they forgo taking a SBA Paycheck Protection Loan. For employers looking to avail themselves of the credits, they should be alert for forthcoming IRS guidance or talk to their payroll processor.

How to Apply:

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 can request an advance of the Employee Retention Credit by submitting [Form 7200](#).

IRS PEOPLE FIRST INITIATIVE:

On March 25, the IRS announced its new “People First Initiative” (PFI). The PFI includes changes to audit and collection procedures, effective beginning April 1 and running through July 15, to assist taxpayers by providing relief on a variety of issues ranging from easing payment guidelines to postponing compliance actions.

Highlights of the PFI:

Installment Agreements:

- ***Existing installment agreements:*** For taxpayers under an existing installment agreement, payments due between April 1 and July 15 are suspended. Those who currently are unable to comply with the terms of an installment payment agreement, including a direct deposit installment agreement, may suspend payments during this period if they prefer. The IRS will not default any installment agreements during this time, although interest will continue to accrue on any unpaid balances, as required by law.
- ***New installment agreements:*** The IRS is encouraging taxpayers who are unable to fully pay their federal taxes that they can resolve their outstanding liabilities by entering into a monthly payment agreement.

Offers in Compromise (OIC)

- ***Pending OIC applications:*** The IRS will allow taxpayers until July 15 to provide requested additional information to support a pending OIC. The IRS also will not close any pending OIC requests before July 15 without the taxpayer’s consent.
- ***OIC payments:*** Taxpayers may suspend all payments on accepted OICs until July 15, although interest will continue to accrue.
- ***Delinquent tax return filings:*** The IRS will not default an OIC for taxpayers who are delinquent in filing their tax returns for the 2018 tax year, although taxpayers should file any delinquent 2018 returns (and their 2019 returns) by July 15.
- ***New OIC applications:*** The IRS is encouraging people facing a liability exceeding their net worth to consider using the OIC process.

Non-Filers Encouraged to File. The IRS is encouraging people who have not yet filed returns for pre-2019 tax years to file any late returns. The IRS notes that more than 1 million households that have not filed tax returns during the last three years are owed refunds, and there is still time to claim those refunds.

Field Collection Activities Mostly Suspended. Liens and levies (including seizures of personal residences) initiated by IRS field revenue officers will be suspended from April 1 through July 15, although field officers will continue to pursue high-income non-filers and perform other similar activities as required.

Automated Liens and Levies Suspended. New automatic liens and levies will be suspended from April 1 through July 15.

Passport Certifications to the State Department Suspended. The IRS will suspend new certifications to the U.S. Department of State for “seriously delinquent” taxpayers from April 1 through July 15. Seriously delinquent taxpayers are those who have an unpaid federal tax debt (including interest and penalties) exceeding \$53,000, for which all

administrative remedies have been exhausted and which is not currently subject to a collection alternative (that is, an installment agreement or OIC). If a seriously delinquent tax debt has been certified to the State Department by the IRS, the taxpayer may be denied a passport. The IRS is encouraging these taxpayers to submit installment agreement or OIC requests during this time.

Private Debt Collection Referrals Suspended. The IRS will not forward new delinquent accounts to private collection agencies from April 1 through July 15.

Audits Restricted: From April 1 through July 15, the IRS generally will not start new field, office, or correspondence examinations, except where deemed necessary to preserve applicable statutes of limitations. The IRS will continue to process refund claims where possible, without in-person contact.

Earned Income Tax Credit and Wage Verification Requests: Taxpayers have until July 15 to respond to the IRS to verify that they qualify for the EITC or to verify their income. Taxpayers who are unable to do so should reach out to the IRS indicating the reason why that information is unavailable. Until July 15, the IRS will not deny these credits for a failure to provide the requested information.

The IRS is encouraging taxpayers to respond to any other IRS correspondence requesting additional information during the examination suspension period, as possible.

More information on the People First Initiative can be found on the IRS website [here](#).

ADDITIONAL RESOURCES:

CDC Interim Guidance for Businesses & Employers: This interim guidance is based on what is currently known about the coronavirus disease 2019 (COVID-19) to help prevent workplace exposures to COVID-19, in non-healthcare settings.

SBA Small Business Owner's Guide to the CARES Act: A comprehensive guide to many of the small business provisions in the CARES Act that was passed by Congress on March 27.

Treasury Paycheck Protection Program Information Sheet for Borrowers: A fact sheet created by the U.S. Treasury Department to provide information for borrowers on the Paycheck Protection Program established in the CARES Act.

Treasury Employee Retention Tax Credit Fact Sheet: A fact sheet created by the U.S. Treasury Department to provide information for business owners on the Employee Retention Tax Credit

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