

The U.S. government has signed into law the [Coronavirus Aid, Relief and Economic Security Act \(CARES Act\)](#) in response to businesses impacted by COVID-19. It has appropriated roughly \$350 billion as relief for small businesses. This document details three of the main levers to access these funds.

Paycheck Protection Program (PPP)

- The Paycheck Protection Program (PPP) provides cash-flow assistance through 100% federally guaranteed funds to incentivize employers to maintain payroll during the COVID-19 event.
- Organizations will apply for PPP through one of 1,800 lenders approved by the [Small Business Association](#) (SBA).
- **June 30, 2020**, is the final day to apply for PPP.
- This program is retroactive to Feb. 15, 2020, to rehire workers who may have already been laid off.
- A borrower of a PPP loan is eligible for loan forgiveness up to the amount spent on qualified expenses.

Who is eligible for PPP?

- Businesses and tribal organizations with less than 500 employees.
- 501(c)(3), 501(c)(19) organizations.
- Sole proprietors or independent contractors.

What are terms and conditions of PPP loans?

- Maximum loan amount: 2.5 times the organization's average monthly payroll costs, up to \$10 million.
- No collateral will be required.
- The eight-week forgiveness period is based on employer maintaining or quickly rehiring employees and sustaining salary levels.
- Funds may be used to cover the following expenses:
 - o Payroll ([see right column for further explanation](#));
 - o Costs related to continuation of healthcare benefits for the organization;
 - o Mortgage obligation(s) – interest only;
 - o Rent;
 - o Utilities; and/or
 - o Interest on any other debt obligations that were incurred before the covered period.

How do organizations apply for PPP?

- Click [here](#) to search for and approved SBA lender.
- For the application your lender will need click [here](#).

What costs are eligible for payroll?

- Compensation (salary, wage, commission, or similar compensation, payment of cash, tip or equivalent);
- Payment for vacation, parental, family, medical or sick leave;
- Allowance for dismissal or separation;
- Payments required for the provisions of group healthcare benefits, including insurance premiums;
- Payment of any retirement benefit; and/or
- Payment of state or local tax assessed on the compensation of employees.

What costs are NOT eligible for payroll?

- Employee/owner compensation MORE THAN \$100,000;
- Taxes imposed or withheld under chapters 21, 22, and 24 of the IRS code;
- Compensation of employees whose principal place of residence is outside the United States; and/or
- Qualified sick and family leave for which a credit is allowed under the [Families First Coronavirus Response Act](#).

How does my organization get forgiveness on PPP Loan?

- Document all disbursement of loan funds: payroll distributions, debt obligations, utility payments, etc.
- Must apply through an SBA-approved lender for loan forgiveness after the eight-week period has passed.
- 75% must be used for payroll. Forgiveness will decrease if full-time count declines, or if salaries and wages decrease.

What happens after the forgiveness period (8 weeks)?

- The balance of unused funds will convert to a loan if they have not been deployed after eight weeks.
- For any amount not forgiven, the loan terms are:
 - o Maximum term is 2 years;
 - o interest rate of 1%; and
 - o no loan fees.
- Loan payments will be deferred for six months.

- Businesses may not take out more than one PPP loan.
- Additionally, organizations may apply for an Economic Injury Disaster Loan (EIDL) if there is no duplication with the PPP in the use of funds.

Economic Injury Disaster Loan (EIDL) Emergency Economic Injury Grant (EEIG)

- The **Economic Injury Disaster Loan** (EIDL) and **Emergency Economic Injury Grant** (EEIG) programs are intended to provide relief for organizations negatively impacted by COVID-19.
- The EEIG provides an emergency advance of up to \$10,000 to organizations that successfully apply for an EIDL.
- Organizations may request the \$10,000 advance three days after they have submitted an application for EIDL.
 - **This advance does not need to be repaid under any circumstances.**
- EEIGs are available until Dec. 31, 2020.
- Entity must have been in business since Jan. 31, 2020, to receive funds.

What are the terms and conditions of EIDL loans?

- EIDL loans are available electronically and directly through the Small Business Association ([SBA](#)).
- Entity must qualify as a small business as defined by the SBA [here](#).
- The SBA will determine the loan amount based on a business's actual economic injury (not to exceed \$2 million).
- There is no requirement for personal guarantees (collateral) for loans less than \$200,000.
- Interest Rates:
 - 3.75% fixed for small businesses; and
 - 2.75% fixed for nonprofits
- Maximum loan term: 30 years
- These funds are not meant to cover business expansion; rather, they are designed to fill the financial void created by COVID-19.
- Funds may be used to cover the following expenses:
 - Payroll;
 - Debts; and/or
 - Other obligations that cannot be met due to the pandemic.

How do organizations apply for an EIDL ?

- Click [here](#) to see the SBA's lineup of COVID-19-related relief options.
- Click [here](#) to apply for an EIDL. (This takes you to the SBA site.)

Who is eligible for EIDL?

- Small businesses and tribal organizations (less than 500 employees);
- Most nonprofits of any size;
- Sole proprietorships, with or without employees;
- Independent contractors; or
- Cooperatives and employee-owned businesses.

Final thoughts on CARES Act

- The Paycheck Protection Program (PPP) and the Economic Injury Disaster Loan (EIDL) presented by the government attempt to provide aid in response to the impact COVID-19 has had on the small business community.
 - Organizations may use PPP and EIDL loans in tandem.
 - Businesses considering the PPP loan must consult with their banking institution(s).
 - Entities considering an EIDL must work through the online SBA application process (link above).
 - Businesses may request up to a \$10,000 advance provided by EEIG three days after they have successfully submitted an EIDL application.
 - Indaco Risk Advisors appreciates the positive impacts these programs may have to help your organization as we all weather these uncertain times. We hope you find this information helpful.