

Help for Small Businesses - Coronavirus Aid, Relief and Economic Security (CARES) Act.

On March 27th, the Coronavirus Aid, Relief, and Economic Security Act (CARES) was signed into law. It contains funding and special provisions for businesses with less than 500 employees and sole proprietors, independent contractors or the self-employed that have suffered financial hardship as a result of the Coronavirus pandemic. It includes:

- Small Business Administration (SBA) – Paycheck Protection Loan Program
- 50% Employee Retention Tax Credit
- Social Security Tax Deferral

It is important to learn about and evaluate the potential value to your business of all CARES benefits for small business before using or applying to any. Businesses cannot use all the offered programs and one may disqualify you from receiving benefits from another, see below, “You Can’t Choose All of the Above” for detail.

SBA Paycheck Protection Program

The Paycheck Protection Program (PPP) is offered by banks in partnership with the SBA. *The program is slated to start today, April 3rd, with loans available through June 30, 2020 on a first come first served basis. Contact and apply through your bank to receive this funding. Note that as of early this morning, participating banks report they are still waiting for support and instruction for the program and have not yet begun accepting applications. The press is reporting high demand and confusion behind the scenes—making it clear that applying for these funds will require some persistence.* These loans require no individual guarantees or collateral and principal may be forgiven if specific conditions are met.

You can borrow up to 2.5x average monthly payroll, excluding individual employee expense above \$100,000 per year. The maximum loan is \$10,000,000 per borrower. The maturity is 2 years and the interest rate is 1.0%.

For more information and help calculating eligible loan amounts, please reference [this handout](#) from the U.S. Chamber of Commerce.

You will need to provide documentation showing that your business:

- Is negatively impacted in ongoing business operations by the COVID-19 pandemic,
- Will use the loan proceeds to fund payroll, retain employees, fund group healthcare, make business loan interest payments or make mortgage, utility or lease payments,
- Doesn't have another loan application pending or to be received between 2/25/20 and 12/31/20 for the same purpose.

For the most up-to-date information on documentation required, visit [sba.gov](https://www.sba.gov/document/sba-form-paycheck-protection-program-ppp-sample-application-form) or call your bank. You can view a sample application here: <https://www.sba.gov/document/sba-form-paycheck-protection-program-ppp-sample-application-form>

Tip: If you are making application and your business uses a vendor payroll provider, be sure to check in with that firm. Some are developing report packages to help fast-track their client's documentation requirements for PPP loans.

Loan Forgiveness

Borrowers are eligible for loan forgiveness based on documentation of payroll, mortgage interest payments, and rent and utility payments. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs. The forgiven amount will be reduced if the business has not retained all employees or has reduced pay for retained employees beyond certain thresholds.

50% Employee Retention Tax Credit

This option allows any employer that:

- Has had their operations fully or partially suspended by government order due to COVID-19, or
- Experienced a 50% decline in gross receipts during a 2020 quarter when compared to that same quarter in 2019.

To claim a refundable tax credit against the employer portion of payroll tax equal to 50% of certain wages paid to an employee from March 13, 2020 through the end of the year. Only \$10,000 of wages can be considered for any employee.

Social Security Tax Deferral

This allows any employer to defer payment of the employer portion of Social Security taxes (6.2% of wages) for the remainder of 2020. 50% of those deferred taxes would have to be repaid by the end of 2021, with the remainder due by the end of 2022.

You Can't Choose All of the Above

Employers are not able to use all these programs, so it's important to consider carefully what is best for your business and your situation.

- If you obtain a PPP SBA loan, you are not eligible for the 50% employee retention tax credit
- If you have a PPP SBA loan forgiven, you cannot take advantage of the Social Security tax deferral.
- If you claim the 50% employee retention credit, you will no longer be eligible for the PPP SBA loan.
- If you take advantage of the Social Security tax deferral, you will no longer be eligible to have your PPP SBA loan forgiven.

Additional Funding Source for Businesses Located in the City of Richmond

The Richmond Economic Development Authority has also created the Richmond Small Business Disaster Loan Program (COVID-19), which will offer interest-free emergency loans of up to \$20,000 to small businesses within city limits. The program is intended to provide relief to small businesses who have been affected by the COVID-19 pandemic.

Funds are allocated to pay employee wages and support small businesses to continue operating. The maximum loan amount for the program is six months of current employee wages or \$20,000, whichever is less. Loan payments will be disbursed over six months. Repayment of the loans will be deferred for six months, followed by 48 months of no-interest payments. The City of Richmond indicates the application will be available starting Monday, April 6.

Disaster Assistance

In response to the COVID-19 pandemic, small business owners in all US states and Washington D.C. are eligible to apply for disaster assistance. Learn more here: <https://www.sba.gov/disaster-assistance/coronavirus-covid-19> In addition businesses who have existing SBA loans are eligible for enhanced relief.

Families First Coronavirus Response Act (FFCRA) – New Paid Leave Requirements for Employers

As of April 1st, new rules went into effect requiring most employers to provide Emergency Paid Sick Leave and Expanded FMLA leave for COVID related reasons. The federal government will reimburse employers for most of these costs through a tax credit. Click [here](#) for more information.

Relief and Benefits for Individuals

The Act provides numerous components designed to benefit individual taxpayers, visit <https://www.heritagewealth.net/financial-tax-planning/help-for-individual-taxpayers-coronavirus-aid-relief-and-economic-security-cares-act/> for more information.