

WHAT ?

CARES Act –

The U.S. Senate passed a

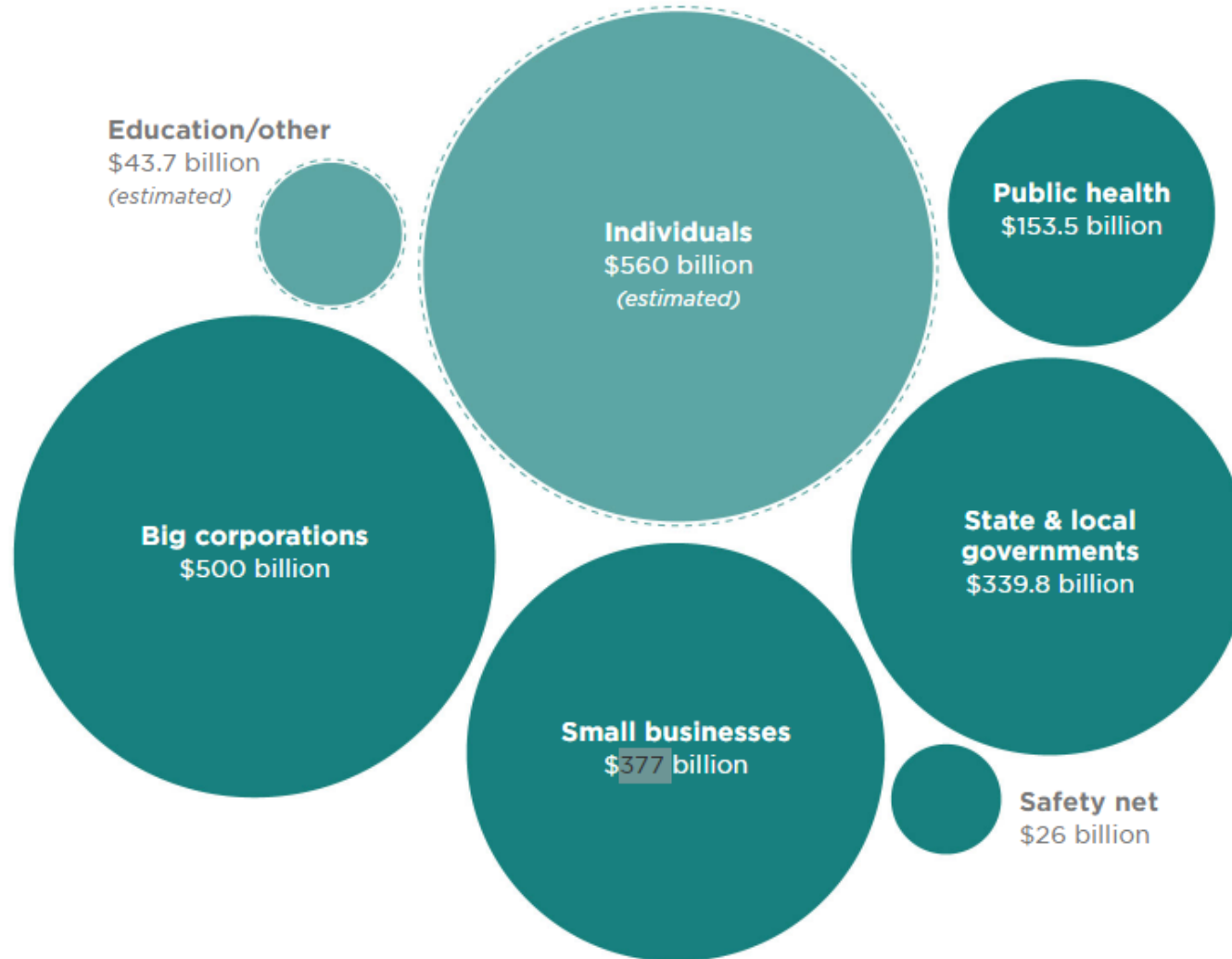
\$2 trillion dollar, Coronavirus response bill

intended to **speed relief** across the

American economy.

It passed into law on
3/27/2020

How the \$2 Trillion Breaks Down



Credits →

Source: Estimates for third relief bill based on bill text, committee and administration numbers.

Credit: Audrey Carlsen/NPR

WHY ?

Why a Federal CARES bill?

This is the third aid package from Congress and is meant to keep

businesses and individuals afloat

during an unprecedented freeze on the majority of American life.

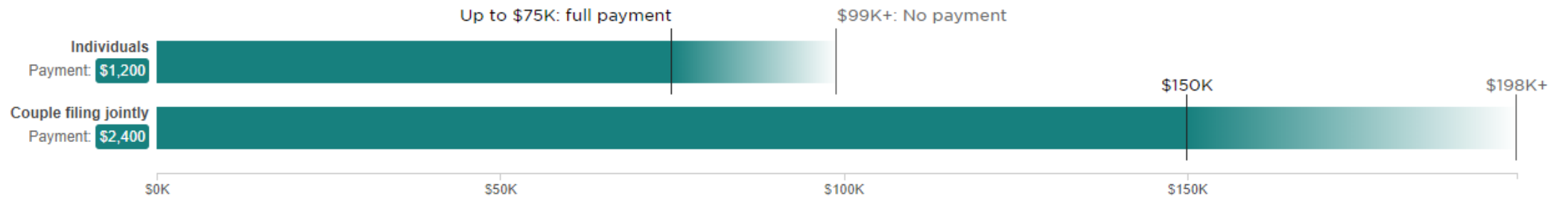
Individuals
\$560 billion
(estimated)

Individual Payment Portion - \$560 billion

these Individual checks will arrive in the mail soon

Who's Getting Checks, By Adjusted Gross Income

Add an additional \$500 for each child, which would also increase eligibility limits depending on the number of children.



Source: Senate version of bill H.R. 748

Credit: Sean McMinn/NPR



Small Business Portion

3 Programs Which Program?

\$377 billion

* <500 employees

These questions might help point you in the right direction. Do you need:

A. Capital to cover the cost of retaining employees? (max \$10 million)

Then the **Paycheck Protection Program** might be right for you.

B. A quick infusion of a smaller amount of cash to cover you right now? (up to \$10K)

Look into an **Emergency Economic Injury Grant**.

C. To ease your fears about keeping up with payments on your current or potential SBA loan?

The **Small Business Debt Relief Program**.

A. Capital to cover the cost of retaining employees

This Option is instead of employees collecting Unemployment

Paycheck Protection Program (PPP) Loans

The program would provide cash-flow assistance through 100 percent federally guaranteed loans to employers who maintain their payroll during this emergency. If employers maintain their payroll, the loans would be forgiven, which would help workers remain employed, as well as help affected small businesses and our economy snap-back quicker after the crisis. PPP has a host of attractive features, such as forgiveness of up to 8 weeks of payroll based on employee retention and salary levels, no SBA fees, and at least six months of deferral with maximum deferrals of up to a year. Small businesses and other eligible entities will be able to apply if they were harmed by COVID-19 between February 15, 2020 and June 30, 2020. This program would be retroactive to February 15, 2020, in order to help bring workers who may have already been laid off back onto payrolls. **Loans are available through June 30, 2020.**

Some Specifics

- The maximum loan size is \$10 million.
- Offered through a Bank that does SBA 7(a) Loans, underwritten by the SBA

B. An Advance –a quick infusion of up to \$10K

Economic Injury Disaster Loans & Emergency Economic Injury Grants

These grants provide an emergency advance of up to \$10,000 to small businesses and private non-profits harmed by COVID-19 within three days of applying for an SBA Economic Injury Disaster Loan (EIDL). To access the advance, you 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.

FREQUENTLY ASKED QUESTIONS	
QUESTION:	Are businesses and private non-profits in my state eligible for an EIDL related to COVID-19?
Answer:	Yes, those suffering substantial economic injury in all 50 states, DC, and the territories may apply for an EIDL.
QUESTION:	What is an EIDL and what is it used for?
Answer:	EIDLs are lower interest loans of up to \$2 million, with principal and interest deferment at the Administrator's discretion, that are available to pay for expenses that could have been met had the disaster not occurred, including payroll and other operating expenses.
QUESTION:	Who is eligible for an EIDL?
Answer:	Those eligible are the following with 500 or fewer employees: <ul style="list-style-type: none">• Sole proprietorships, with or without employees• Independent contractors• Cooperatives and employee owned businesses• Tribal small businesses Small business concerns and small agricultural cooperatives that meet the applicable size standard for SBA are also eligible, as well as most private non-profits of any size. See

How To Apply

A. PPP (payment Protection Program Loans)

1) Apply through your local bank or request info

from your Financial Lead, for

a Bank that does SBA 7(a) Loans, underwritten by the SBA

OR

2) COVID-19 ECONOMIC INJURY DISASTER LOAN APPLICATION (EIDL)

at: <https://covid19relief.sba.gov/#/>

With assistance from your Financial Resource Lead

1st – gather data 2.5x 2019 payroll, plus contractors, plus utilities

2nd complete the ap

Note:

The estimated time for completing this entire application is **two hours and ten minutes**, although you may not need to complete all parts. You are not required to respond to this collection of information unless it displays a currently valid OMB approval number.

B. How to get the \$10K Advance

Apply for the
COVID-19 ECONOMIC INJURY DISASTER LOAN APPLICATION (EIDL)

recommended Financial Lead assistance

go to: <https://covid19relief.sba.gov/#/>

Note on the SBA application site:

The estimated time for completing this entire application is **two hours and ten minutes**, although you may not need to complete all parts. You are not required to respond to this collection of information unless it displays a currently valid OMB approval number.

Option A and B side by side

The Economic
Injury Disaster Loan
(EIDL) Program

vs.

The Paycheck
Protection Program
(PPP)

In three parts

EIDL

vs

PPP

Credits

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The Economic Injury Disaster Loan (EIDL) Program

VS.

The Paycheck Protection Program (PPP)



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Part 1

EIDL	vs	PPP
Who is the lender?		
The SBA		A Bank that does SBA 7(a) Loans, underwritten by the SBA
What is the maximum amount of the loan?		
The maximum loan size is \$2 million. Applicants who apply for this loan may request an advance of up to \$10,000 from the SBA. The advance will be distributed within 3 days. Applicants are not required to repay this advance if they are subsequently denied a loan.		<p>The maximum loan size is \$10 million. The calculation is as follows:</p> <ul style="list-style-type: none"> • 2.5x the average monthly "payroll" costs, measured over the 12 months preceding the loan origination date. Seasonal business may use the period February 15, 2019 – June 30, 2019 or March 1, 2019 – June 30, 2019 to calculate the average payroll • If you took out the EIDL loan between February 15, 2020 and June 30, 2020 and you want to refinance that loan into a PPP loan, you would add the outstanding loan amount to the "payroll" sum. <p>Payroll includes salaries, commissions, tips, certain employee benefits (including health insurance and retirement benefits), state and local taxes and certain types of compensation to sole proprietors or independent contractors. Payroll costs specifically exclude compensation of an individual employee in excess of an annual salary of \$100,000, foreign employees, FICA and income tax withholdings</p>
What is the annual interest rate?		
3.75% for businesses, 2.75% for non-profits		Not to exceed 4%
What is the term of the loan?		
Up to 30 years		10 years
When is the first loan payment due?		
One year after the loan origination date (interest is accrued during the deferment)		At least six months after the loan origination date (interest is accrued during the deferment)

Part 2

The Economic Injury Disaster Loan (EIDL) Program VS. The Paycheck Protection Program (PPP)



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EIDL	vs	PPP
<i>What can we use the loan for?</i>		
Financial obligations and operating expenses that could have been met had the disaster not occurred		Payroll costs (as defined above), group healthcare benefits, insurance premiums, and interest (but not principal) on mortgages or other debt incurred prior to February 15, 2020, rent on any lease in force prior to February 15, 2020 and utility payments
<i>What collateral is required?</i>		
The SBA will place a UCC lien against the assets of the business		No collateral is required from either the business or its owners
<i>Is a personal guarantee required?</i>		
Yes, for loans > \$200,000, owners of > 20% of the business, managing members of LLCs, managing partners of LPs. However, no liens will be taken against real estate owned by the guarantor		No
<i>Is there a loan forgiveness program?</i>		
No		Yes – calculated as the amount spent by the borrower during an 8-week period after the origination date of the loan on: payroll costs (as defined above), interest payment on any mortgage incurred prior to February 15, 2020, payment of rent on any lease in force prior to February 15, 2020, and payment on any utility for which service began before February 15, 2020. Payroll costs are subject to the same exclusions as noted above
<i>What reduces the forgiveness?</i>		
N/A		The amount forgiven is reduced based on failure to maintain the average number of full-time equivalent employees versus the period from either February 15, 2019, through June 30, 2019, or January 1, 2020, through February 29, 2020, as selected by the borrower. The amount forgiven is also reduced to the extent that compensation for any individual making less than \$100,000 per year is reduced by more than 25% measured against the most recent full quarter. Reductions in the number of employees or compensation occurring between February 15, 2020, and 30 days after enactment of the CARES Act will generally be ignored to the extent that reductions are reversed by June 30, 2020. Forgiven amounts will not constitute cancellation of indebtedness income for federal tax purposes.

The Economic Injury Disaster Loan (EIDL) Program vs. The Paycheck Protection Program (PPP)



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EIDL	vs	PPP
Do I need to have filed my 2019 Taxes to apply?		
No, 2019 Taxes do not have to be filed prior to applying for the loan. However, businesses will be asked to submit IRS form 4506T, which provides the SBA with access to historical tax returns		Will depend on the lender
How long will the loan application take?		
2-3 weeks plus an additional 5 days for funding		Unknown at this stage
Can I apply now?		
Yes, the application process is live, and loans are available now. There is no obligation to accept the loan if you qualify. The SBA typically allows 60 days to accept the loan offer, but you can always extend this if needed. Therefore, it is better to apply ASAP		No. Now that the CARE Act is law, the SBA will give their loan guidelines to the banks. The banks will then prepare their loan application process. We expect this to take at least two weeks
What businesses/entities can apply and what are the affiliation rules?		
Small businesses. There are several standards the SBA uses to define a small business, and it varies by industry. As a general guide, less than 500 employees and \$35 million in revenue would typically qualify. Applicants for SBA loan programs typically must include their affiliates when applying size tests to determine eligibility. This means that employees of other businesses under common control would count toward the maximum number of permitted employees		<ul style="list-style-type: none"> Businesses and entities must have been in operation on February 15, 2020 and have 500 or fewer employees. There are some exceptions based on industry – see below Individuals who operate a sole proprietorship or as an independent contractor and eligible self-employed individuals. Any business concern that employs not more than 500 employees per physical location of the business concern and that is assigned a NAICS code beginning with 72 (Accommodation and Food Services companies) Affiliation rules are also waived for franchises with codes assigned by the SBA, as reflected on the SBA franchise registry and businesses that receive financial assistance from one or more small business investment companies (SBIC)

Note – This information is supplied to inform our clients and partners. However, the exact terms of loans are determined solely by the lender(s) and KROST can make no representation as to the accuracy or completeness of any information contained herein.

C. Small Business Debt Relief Program

Small Business Debt Relief Program

This program will provide immediate relief to small businesses with non-disaster SBA loans, in particular 7(a), 504, and microloans. Under it, SBA will cover all loan payments on these SBA loans, including principal, interest, and fees, for six months. This relief will also be available to new borrowers who take out loans within six months of the President signing the bill into law.

FREQUENTLY ASKED QUESTIONS	
QUESTION:	Which SBA loans are eligible for debt relief under this program?
Answer:	7(a) loans not made under the Paycheck Protection Program (PPP), 504 loans, and microloans. Disaster loans are not eligible (see p. 7 for more information on these).
QUESTION:	How does debt relief under this program work with a PPP loan?
Answer:	Borrowers may separately apply for and take out a PPP loan, but debt relief under this program will not apply to a PPP loan.
QUESTION:	How do I know if I'm eligible for a 7(a), 504, or microloan?
Answer:	In general, businesses must meet size standards , be based in the U.S., be able to repay, and have a sound business purpose. To check whether your business is considered small, you will need your business's 6-digit North American Industry Classification System (NAICS) code and 3-year average annual revenue. Each program has different requirements, see https://www.sba.gov/funding-programs/loans for more details.

C. SBA Debt Relief

Contact your SBA Lender

SBA Debt Relief

The SBA Debt Relief program will provide a reprieve to small businesses as they overcome the challenges created by this health crisis.

Under this program:

- The SBA will also pay the principal and interest of **new 7(a) loans** issued prior to September 27, 2020.
- The SBA will pay the principal and interest of **current 7(a) loans** for a period of six months.

SBA Express Bridge Loans

[Express Bridge Loan Pilot Program](#) allows small businesses who currently have a business relationship with an SBA Express Lender to access up to \$25,000 with less paperwork. These loans can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing and can be a term loans or used to bridge the gap while applying for a direct [SBA Economic Injury Disaster loan](#). If a small business has an urgent need for cash while waiting for decision and disbursement on Economic Injury Disaster Loan, they may qualify for an **SBA Express Disaster Bridge Loan**.

Terms

- Up to \$25,000
- Fast turnaround
- Will be repaid in full or in part by proceeds from the EIDL loan

www.IntoSolutions.com

Find an **Express Bridge Loan Lender** by connecting with your [local SBA District Office](#).

D. 1. Resource Partners

Your key financial resource team
CFO / CPA Accountant / Others



We are assisting our ongoing clients first.

The loan is on a first-come first-serve basis.

The first step, for most, is gathering financial info for the lengthy loan application and the documents for the funds amount needed.

Those with SBA loans we can assist with bank contacts.

Our team, working remotely, will assist you as best as we can.

Stay Safe and Healthy,

Fay

D. 2 SBA resource partners

A free SBA resource partners may be a solid option from some.

Counseling & Training

If you, like many small business owners, need a business counselor to help guide you through this uncertain time, you can turn to your local Small Business Development Center (SBDC), Women's Business Center (WBC), or SCORE mentorship chapter. These resource partners, and the associations that represent them, will receive additional funds to expand their reach and better support small business owners with counseling and up-to-date information regarding COVID-19. There will soon be a joint platform that consolidates information and resources related to COVID-19 in order to provide consistent, timely information to small businesses. To find a local resource partner, visit <https://www.sba.gov/local-assistance/find/>.

In addition, the Minority Business Development Agency's Business Centers (MBDCs), which cater to minority business enterprises of all sizes, will also receive funding to hire staff and provide programming to help their clients respond to COVID-19. Not every state has a MBDC.