

Overview of Business Benefits Under the CARES Act (Effective April 1, 2020)

CARES Act Provisions	Eligible Businesses	Benefits Provided	Qualifying Expenses
<p>Paycheck Protection Program (PPP)</p> <p>(CARES Act: Section 1102)</p>	<p>The following businesses are eligible to apply for a PPP loan:</p> <ul style="list-style-type: none"> • Businesses with fewer than 500 employees. • Small businesses as defined by the Small Business Administration (SBA) Size Standards at 13 C.F.R. 121.201. • 501(c)(3) nonprofits, 501(c)(19) veteran’s organization, and Tribal business concern described in Section 31(b)(2)(C) of the Small Business Act with not more than 500 employees. • Hotels, motels, restaurants, and franchises (NAICS Code 72) with fewer than 500 employees at each physical location. • Businesses that receive financial assistance from Small Business Investment Act Companies licensed under the Small Business Investment Act of 1958. • Sole proprietors and independent contractors. <p>Eligibility for loans under the PPP is based on whether the business (1) was operational on February 15, 2020, and (2) had</p>	<p>Eligible small businesses may apply for an SBA loan from a qualified SBA lender beginning now through June 30, 2020. The maximum amount of the loan provided under the PPP will be generally calculated as the lesser of:</p> <ul style="list-style-type: none"> • The sum of (1) the average total monthly payments by the applicant for payroll costs by 2.5, and (2) the outstanding amount of any Economic Injury Disaster Loans made during the period beginning on January 31, 2020 and ending on the date on which covered loans are made available to be refinanced under the PPP loan; or • \$10,000,000. <p>Among other things, compensation in excess of \$100,000 paid to an individual employee cannot be included in the calculation of payroll costs for purposes of determining the amount of a loan or any loan forgiveness.</p> <p>Businesses cannot apply for both a PPP loan under Section 1102 and a new Economic Injury Disaster Loan under Section 1110 (discussed below) concurrently, though pre-existing Economic Injury Disaster Loans do not act as a bar to receiving a PPP loan.</p> <p>Borrower and lender fees, collateral, and personal guarantee requirements are all</p>	<p>The proceeds of a PPP loan can be applied to the following costs:</p> <ul style="list-style-type: none"> • Payroll costs; • Costs related to continuation of healthcare benefits during periods of paid sick, medical, or family leave, and insurance premiums; • Employee salaries, commissions, or similar compensation; • Interest payments on mortgages (but not applicable to prepayment or payment of principal); • Rent; • Utilities; and • Interest on any other debt obligations incurred prior to February 15, 2020. <p>The SBA loan application can be found here: https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Application-3-30-2020-v3.pdf</p>

	<p>employees for whom it paid salaries and payroll taxes, or a paid independent contractor, and not with regard to repayment ability.</p>	<p>waived. The CARES Act authorizes the Small Business Administration to issue loans with interest rates of up to 4% with a maximum maturity date of 10 years, though the regulations issued by the Treasury Department after enactment of the law set the interest rate at 1% with a maturity date of only 2 years. There is no penalty for prepayment, and loan repayments can be deferred for 6- 12 months.</p> <p>A list of SBA-approved lenders can be found here: https://www.sba.gov/partners/lenders/microloan-program/list-lenders. We recommend that clients contact their existing bank as an initial step, particularly if it is an SBA approved lender, as an existing relationship may help speed access to benefits.</p>	
<p>Paycheck Protection Program (PPP) Loan Forgiveness</p> <p>(CARES Act: Section 1106)</p>	<p>Businesses receiving a PPP loan from a qualified SBA lender may be entitled to loan forgiveness for such PPP loan subject to the satisfaction of certain conditions.</p>	<p>Eligible recipients can apply for forgiveness of indebtedness on a PPP loan for loan proceeds spent on the following covered expenses from February 15, 2020 through June 30, 2020:</p> <ul style="list-style-type: none"> • Payroll costs; • Interest payments on covered mortgage obligations (not including prepayment or payment of principal); • Covered rent obligations; and • Any covered utility payment. <p>Note that the amount of loan forgiveness granted is limited in a number of ways, including due to:</p> <ul style="list-style-type: none"> • <u>Reductions in Employee Headcount:</u> Generally, if during the period between 	

		<p>February 15, 2020 and June 30, 2020 a business reduces its average number of full time equivalent employees per month below the average number of full time equivalent employees for either (i) that same time period of 2019, or (ii) January 1, 2020 through February 29, 2020, then the amount of loan forgiveness will be reduced proportionally.</p> <ul style="list-style-type: none">• <u>Reductions to Salary and Wages:</u> The amount of loan forgiveness is reduced by the amount of any reduction in total salary or wages from February 15, 2020 through June 30, 2020 that is in excess of the total salary or wages paid to that employee during the most recent full quarter preceding the covered period. For purposes of calculating loan forgiveness based on reduction in salary or wages, reductions in salary for employees who made more than \$100,000 on an annualized basis in any pay period of 2019 are excluded.• <u>Exemptions:</u> In general, subject to some limitations, the amount of loan forgiveness available will not be reduced for employees who are terminated or whose salaries are reduced between February 15, 2020 and 30 days after enactment of the CARES Act, if the number of full time equivalent employees or the salary or wages of such employees, as applicable, is restored on or before June 30, 2020.	
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<p>SBA Economic Injury Disaster Loans & Advances (EIDL)</p> <p>(CARES Act: Section 1110)</p>	<p>Under the CARES Act, those entities eligible to receive Economic Injury and Disaster Loans (EIDL) and Advances have been expanded.</p> <p><u>New Eligible Entities:</u></p> <ul style="list-style-type: none"> • Businesses with fewer than 500 employees. • Tribal businesses with fewer than 500 employees. • Cooperatives with fewer than 500 employees. • Employee Stock Option Plans with fewer than 500 employees. • Individuals operating as a sole proprietor or an independent contractor during the covered period (January 31, 2020 to December 31, 2020). <p><u>Other Eligible Entities:</u></p> <ul style="list-style-type: none"> • Small businesses as defined by the Small Business Administration Size Standards. • Private non-profits with exemptions under sections 510(c), (d) or (e) of the Internal Revenue Code. <p>Note that businesses receiving a PPP loan under Section 1102 are not eligible to receive a new EIDL covering that same period.</p>	<p>Eligible businesses may receive:</p> <ul style="list-style-type: none"> • Up to \$2 million in direct loans from the Small Business Administration (with the actual loan amount depending on the amount of the actual injury); and • Loan guarantees for substantial economic injury caused by the COVID-19 pandemic. <p>Due to potential delays in disbursing EIDLs, the CARES Act also authorizes emergency grants of up to \$10,000 that are available immediately to eligible borrowers.</p> <p>The application for Economic Injury Disaster Loans can be found here: https://www.sba.gov/funding-programs/disaster-assistance</p>	<p>EIDL proceeds may be used to cover the following expenses:</p> <ul style="list-style-type: none"> • Working capital necessary to carry on the concern until normal operations resume; • Expenditures necessary to alleviate the specific economic injury caused by the COVID-19 pandemic; • Providing paid sick leave to employees; • Meeting payroll obligations; • Increased costs to obtain materials as a result of the COVID-19 pandemic; • Rent or mortgage payments; and • Repaying obligations that cannot be met due to revenue losses.
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<p>Subsidies for Section 7(a) Small Business Loans</p> <p>(CARES Act: Section 1112)</p>	<p>Any small business that has received a small business loan (i) guaranteed by the SBA under Section 7(a) of the Small Business Act, or (ii) made by an intermediary to a small business using loans or grants received under Section 7(m) of the Small Business Act is eligible for subsidized loan payments.</p>	<p>The Small Business Administration has agreed to pay the principal, interest, and any associated fees owed on covered loans for a period of six months. For loans made:</p> <ul style="list-style-type: none"> • Prior to the date of the CARES Act and not on deferment, that six-month period begins on the date that the next payment is due; • Prior to the date of the CARES Act and on deferment, that six-month period begins with the date that the next payment is due after the deferment period; and • On or after the date of the CARES Act and ending on the date six months thereafter, that six-month period begins on the date the first payment becomes due. 	<p>Subsidy payments may be used to pay principal, interest, and any associated fees owed on a covered loan in regular servicing status.</p>
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