



NSBA

Frequently Asked Questions

Congress has passed two major pieces of legislation that will affect small businesses in the weeks and months to come as our nation and economy struggles to recover from the widespread effects of the coronavirus pandemic. Most recently, on March 27, Congress passed and the president signed the Coronavirus Aid, Relief and Economic Security (CARES) Act which will pump \$350 billion into U.S. Small Business Administration loans known as the Paycheck Protection Program. Prior to passage of this stimulus bill, Congress passed the Families First Coronavirus Response Act (FFCRA) which was enacted to provide sick leave, expanded family and medical leave, and unemployment insurance to workers for specified reasons related to COVID-19.

It is important you know what your rights, responsibilities are, as well as how the government can help you weather this storm.



Loans & Financial Assistance

What are Paycheck Protection Program Loans?

These are new loans designed to help small businesses stay in business throughout the quarantine – whether they are facing closure or just a slow-down due to illness, decreased customer demand or government mandate, these loans offer small businesses a lifeline.

Who qualifies for a loan?

The general rule is small employers with 500 employees or fewer are eligible, however any business that meets current [SBA size standards](#) (which may include some companies with more than 500 employees) is eligible. Self-employed individuals, sole proprietors and “gig economy” individuals are also eligible as are certain nonprofits, including 501(c)(3) organizations and 501(c)(19) veteran organizations, and tribal business concerns with under 500 employees. But the company must have been operational no later than February 15, 2020.



How much are the loans?

Loans can be up to 250 percent of an employer's average monthly payroll during the covered four-month period. The maximum loan amount would be \$10 million

How is payroll calculated for purposes of these loans?

Under the program, payroll costs include:

- Salary, wages, and payment of cash tips (up to an annual rate of pay of \$100,000);
- Employee group health care benefits, including insurance premiums; retirement contributions; and covered leave.

Do I need collateral or good credit?

No – the government is offering a 100 percent guarantee on these loans through Dec. 31, 2020. No collateral is required.

The legislation requires lenders to determine whether a business was operational on February 15, 2020 and had employees for whom it paid salaries and payroll taxes, or a paid independent contractor. Loans are NOT based on a determination of ability to repay at the time of the loan, given the current crisis.

Do I have to repay the loan in full?

No. What's unique about these loans—and something NSBA fought hard for—is that you are eligible for loan forgiveness in the following ways:

- Funds spent during an 8-week period after the origination date of your loan on payroll costs;
- Interest payments on any mortgage incurred prior to February 15, 2020;
- Rent or lease payments under agreements signed prior to February 15, 2020; and
- Payment on any utility for which service began before February 15, 2020.

**It is important to note that payroll costs do NOT include compensation above \$100,000 in wages per employee.*

What do the loans cost?

Very little – the cost of participation in the program would be reduced for small businesses through fee waivers, an automatic deferment of payments for at least six months, and no prepayment penalties. Any loan amounts not forgiven are carried forward as an ongoing loan with terms of a max of 10 years, at max 4% interest. The 100% loan guarantee remains intact.

If you already have an existing SBA loan, this bill will require SBA to pay all principal, interest, and fees on all existing SBA loan products, including 7(a), Community Advantage, 504, and Microloan programs, for six months.

Where do I start?

Loans should start becoming available by early-April through more than 800 existing [SBA-certified lenders](#), including banks, credit unions, and other financial institutions. U.S. Treasury has just come out with an [information sheet](#) for borrowers which also links to the loan application. Check with your existing lender to see if they will be offering these special Paycheck Protection Loans, if they don't, SBA will be expediting the process for lenders to get approved and you can request they start that process.

How long will the process take?

SBA and its approved lenders have been directed to streamline the program to make it easier for you to apply and get approved. We anticipate the average time to be around 3-days from the time you submit the application to the time you are approved. Because there is no longer the need to prove SBA is your “lender of last resort” the typical loan process for these SBA loans should be much quicker.



How do I qualify if I am a sole-proprietor or 1099 independent contractor?

There is a provision in the bill to enable payroll forgiveness for self-payment made by sole proprietors and 1099 contractors, however you can NOT include payments you made to a 1099 contractor toward your payroll costs.

How are these loans different from disaster loans?

The Paycheck Protection Loans are funds you apply for through a bank or credit union and they provide forgiveness for certain expenses.

Disaster loans, or [Economic Injury Disaster Loans](#) (EIDL) are loans that are administered by SBA directly—meaning you apply with them and NOT bank or credit union. EIDL loans are offering an advance of up to \$10,000 which will NOT have to be repaid and can be available within three days of your EIDL loan approval. You DO have to pay back the remainder of these loans.

Can someone provide more technical help?

Yes. Your local [Small Business Development Center](#) and a number of other [SBA resource partners](#) are great places to start. Congress allocated an additional \$265 million for grants to SBA resource partners to provide counseling, training, and related assistance to small businesses affected by COVID-19.

Learn More:

[Click here](#) for more guidance from SBA

[Click here](#) for guidance from Treasury on the Paycheck Protection Program

[Click here](#) to download the application you will submit to an SBA-approved lender.





Labor & Benefits Requirements

Is my business subject to these new rules?

Yes - if you have fewer than 500 employees.

If you have fewer than 50 employees, however, you may qualify for exemption from the requirement to provide leave due to school closings or child care unavailability if the leave requirements would jeopardize the viability of the business as a going concern. Specific exemptions should be [available here](#) from the Department of Labor in early-April.

What am I required to provide employees under the FFCRA?

Employees who have worked for you for at least 30 days must be given an additional two weeks of paid sick leave at their regular pay if he/she is unable to work due to a health-related quarantine, need to care for a child or an infected person. This is in addition to their existing paid-leave allowances.

When do the new sick leave rules start?

These provisions go into effect April 1, 2020, and apply to leave taken between April 1, 2020, and December 31, 2020.

Employees are also entitled to up to an additional 10 weeks of paid expanded family and medical leave at two-thirds the employee's regular rate of pay once their sick leave has exceeded 10 days. This expanded family and medical leave is only due to absences related to COVID-19.

Are part-time employees included?

Yes. You will need to calculate hours of leave based on the number of hours the employee is normally scheduled to work. If the normal hours scheduled are unknown, or if the part-time employee's schedule varies, you may use a six-month average to calculate the average daily hours.

Can I file for unemployment?

Yes. Through December 31, 2020, those not traditionally eligible for unemployment benefits (self-employed, independent contractors, those with limited work history, and others) who are unable to work as a direct result of the coronavirus public health emergency will be eligible for unemployment.

This program provides an additional \$600 per week payment to each recipient of unemployment insurance or Pandemic Unemployment Assistance for up to four months.

Learn More:

Please [click here](#) for more guidance from DOL



Small Business Tax Relief

How do I pay for this?

The FFCRA included tax credits for affected employers on a dollar-for-dollar reimbursement through tax credits for all [qualifying wages](#).

Are there other tax provisions that could help me?

Yes. The FFCRA provides a number of tax provisions aimed to help small businesses.

- A refundable payroll tax credit for 50 percent of wages paid by employers to employees during the COVID-19 crisis. The credit is available to employers whose operations were fully or partially suspended, due to a COVID-19-related shut-down order, or gross receipts declined by more than 50 percent when compared to the same quarter in the prior year.
- Employers and self-employed individuals can defer payment over two years (paid in 2021 and 2022) of the employer share of the Social Security tax.
- Net operating losses arising in a tax year beginning in 2018, 2019, or 2020 can be carried back five years (current law prevents such a carry-back) and removes the taxable income limitation to allow an NOL to fully offset income.
- Modified loss limitation is applicable to pass-through businesses and sole proprietors, so they can utilize excess business losses and access critical cash flow to maintain operations and payroll for their employees.
- Corporate AMT credits were made available as refundable credits over several years, ending in 2021. FFCRA accelerates the ability of companies to recover those AMT credits, permitting companies to claim a refund now and obtain additional cash flow during the COVID-19 emergency.
- The amount of interest expense businesses are allowed to deduct on their tax returns is temporarily increased from the current 30-percent limitation to 50 percent of taxable income for 2019 and 2020.

Learn More:

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[Click here](#) to download the application you will submit to an SBA-approved lender.

** None of the guidance in this document should be construed as legal advice.*