

DIRECT FEDERAL LOANS (2)

Forgivable Elements of Both Where All/Portion Turn To Grants

Paycheck Protection Program

- Creation of the Paycheck Protection Program (PPP)
- Helps small businesses, 501(c)(3)'s, 501(c)(19)'s, and 31(b)(2)(c)
- Limited to under 500 employees
- Includes independent contractors, sole proprietors and the self-employed
- Entities must have been operational by 2/15/20; had payroll, paid taxes
- Covered loan period is 2/25/20 through 6/30/20
- Maximum loan amount via 7(a) set to \$10 million through 12/31/20
- 100% loan guarantee through 12/31/20
- Eligible expenses include payroll, insurance, rent, mortgage and utilities
- Borrower cannot apply/carry both PPP and Economic Injury Disaster Loan (EIDL) for COVID-19, but can carry previous, non-COVID-19 EIDL and participate in PPP
- Borrower must good-faith certify that funds are needed for COVID-19 related purposes, the funds will be used to retain workers, and that their request is not duplicative with other SBA funds for the same purpose
- Waives borrower and lender fees
- Waives credit elsewhere requirements
- Waives collateral and personal guarantees
- Sets maximum interest rate of 4%
- No prepayment fees
- Defers payments on PPP loan for 6-12 months
- **Delegates authority to all existing 7(a) lenders to expedite approvals/distributions**
- **Authorizes bank and non-bank lenders to participate in PPP program**
- New lenders in program can only participate in PPP and not other 7(a) loans
- Amount spent by borrower in the first 8 weeks from loan origination may be forgiven; amount reduced proportionate to reductions in workforce as compared to previous year; if rehires made during 8 week period, no penalty in reflection of possible layoffs early in the 8 week period

- Allows inclusion of additional money paid to tipped workers
- Anything not forgiven or repaid by 12/31/20 will convert to a max 10-year loan at a max 4% interest rate; loan will remain 100% guaranteed

Emergency Injury Disaster Loan (EIDL)

- Eligibility expanded to include tribal businesses, cooperatives, ESOP's, individual contractors, sole proprietors, and private non-profits with less than 500 employees
- Waives credit elsewhere requirement for advances and loans below \$200,000
- Waives personal guarantee for advances and loans below \$200,000
- Waives 1-year-in-business requirement for advances and loans below \$200,000
- SBA has greater flexibility in determining borrower eligibility
- Entities eligible to apply for EIDL may request an advance in the form of an emergency grant of up to \$10,000
- SBA must distribute EIDL emergency grant within 3 days
- Applicants are not required to repay emergency grant, even if they are ultimately denied EIDL

TAX CREDITS

A series of tax credits to ease the burden of keeping staff on payroll.

- Employee retention benefit: 50% refundable payroll tax credit during COVID-19 crisis for businesses that either fully or partially shut down OR have a 50% decrease in receipts versus the same quarter in the previous year and continue to pay employees.
- Based on qualified wages paid to employees during crisis, tied to number of employees (100+ full time employees = wages paid when they are not providing services due to COVID-19 and less than 100 full time employees = wages paid regardless of business closure status)
- Covers up to \$10,000 paid per employee, including benefits, for the period 3/13/20-12/31/20
- Payroll tax deferred, payments to be spread over 2 years
- Net operating losses (NOLs) modification: NOLs arising in FY's '18, '19, and '20 can be carried back 5 years

- AMT credits available as refundable credits through 2021 can be claimed as a refund now
- Allowable deductible interest expenses are increased from 30% to 50% for 2019 and 2020.