

Small Business Assistance Relief

Congress' \$2 Trillion Coronavirus Aid Package

The Senate passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) late at night on Wednesday, March 26th. The bill now goes to the House of Representatives, where it is expected to pass quickly on Friday, before going to the White House for President Trump's signature. The CARES Act is a near \$2 trillion package that aids individuals and businesses in a myriad of ways. Included in the package is \$300 billion for the Small Business Administration (SBA), along with policy changes aimed at helping small businesses benefit from these loans. We previously posted [this article](#) with background on the SBA and how its loans work. This article will expand on that background and give an overview of the provisions that made it into the final cut of the CARES Act. All businesses with 500 employees or fewer are eligible for small business loans.

Loan Forgiveness

The biggest change to the SBA was the elimination of the \$30 billion cap on loans the Administration is permitted to disburse. The CARES Act authorizes the SBA to distribute \$300 billion worth of loans to small businesses, mainly to assist businesses in maintaining payroll. If businesses maintain their payroll for the period between March 1 and June 30, 2020, the loan will be forgiven. Loaned funds spent on payroll, costs incurred on paid family and medical leave, and debt obligations will all be forgiven. For information on how Congress has changed paid leave requirements, read [this article from the O'Neill and Associates blog](#). If employees are laid off before June 30th, the forgivable portion of the loan will decrease proportionally based on the number of employees let go.

Businesses obtain a small business loan through an eligible private lender, such as a bank, credit union, or online lender. These lenders will verify payroll amounts and debt obligations. If a business defaults on the loan, the SBA guarantees 100% of the amount, an increase from the 75% or 85% rates the SBA provided before the CARES Act.

Standard 7(a) Loan Program

The 7(a) loan program is the SBA's largest and most popular program, providing businesses with capital for anything from expansion efforts to equipment purchases. These loans can now be used for payroll, debt obligations, or other hardships businesses face due to coronavirus. Businesses are eligible to receive up to \$10 million from a 7(a) loan, an increase from the normal \$5 million. Not for profit entities are also now eligible to receive loans. Payments on 7(a) loans will be deferred for a full year, and SBA is required to publish guidance on the deferment process within 30 days.

SBA Express Loan Program

The SBA Express Loan Program is designed to award loans with a quick turnaround, often in a matter of days. The program is smaller and less robust than the 7(a) program, and it provides smaller loans. The CARES Act increased the Express Loan maximum from \$350,000 to \$1 million through December 31, 2020.

Economic Injury Disaster Loan Assistance

Disaster Loans are traditionally awarded to states facing a natural disaster to assist businesses that have been directly affected. All 50 states, plus the District of Columbia, and several territories have now been declared eligible for disaster loans for businesses affected by coronavirus. Businesses are eligible for up to a \$2 million loan, and instructions and forms to begin an application are available [here](#).

FOR ALL APPLICATIONS, EXCLUDING NON-PROFIT ORGANIZATION, THE FOLLOWING ITEMS MUST BE SUBMITTED.

- **This application** ([SBA Form 5](#)), completed and signed
- **Tax Information Authorization** (IRS Form 4506T), completed and signed by each applicant, each principal owning 20 percent or more of the applicant business, each general partner or managing member; and, for any owner who has greater than 50 percent ownership in an affiliate business. Affiliates include, but are not limited to, business parents, subsidiaries, and/or other businesses with common ownership or management
- **Complete copies, including all schedules, of the most recent Federal income tax returns** for the applicant business; an explanation if not available
- **Personal Financial Statement** (SBA Form 413) completed, signed, and dated by the applicant, each principal owning 20 percent or more of the applicant business, and each general partner or managing member
- **Schedule of Liabilities** listing all fixed debts (SBA Form 2202 may be used)

NON-PROFIT ORGANIZATION (including Houses of Worship, Association, etc), THE FOLLOWING ITEMS MUST BE SUBMITTED:

- **This application** (SBA Form 5), completed and signed
- A complete copy of the **organization's most recent tax return** OR a copy of the organization's IRS tax-exempt certification and complete copies of the organization's three most recent years' "Statement of Activities"
- **Schedule of Liabilities.**
- **Tax Information Authorization** (IRS Form 4506-T), completed and signed for each applicant and for any affiliated entity. Affiliates include, but are not limited to, business parents, subsidiaries, and/or other businesses with common ownership or management. **Express Loan Program**

O'Neill and Associates will continue to monitor developments in the SBA and in Congress to keep you apprised of new regulatory and legislative changes to these programs. If you need additional information or assistance in applying, please contact Ian Gansler lgansler@oneillandassoc.com or Jennifer Krowchun jkrowchun@oneillandassoc.com.