



COVID Small Business Support Programs

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What are the Government's goals?

Keep the economy from descending into a long recession

Keep you in business long enough to get to the other side

Make sure your employees and contractors can eat and keep their homes

The Primary Small Business Programs

Direct SBA Programs

- Economic Injury Disaster Loan (EIDL)
- Emergency Economic Injury Grant (EEIG)

Government Loan Programs through Authorized Banks - 7(a), 540 loans

Paycheck Protection Program (PPP)

Small Business Debt Relief Program (SBDR)

Expansion of State Unemployment Insurance to the Self-employed and Contractors

Warning!

Demand for these programs is overwhelming agencies and funding sources

The original terms of these programs are likely to change, limiting access to funds and delaying reimbursement

Avoid dependency on these programs if you possibly can

April 20, 2020

Key Loan/Grant Programs Overview

	Type	Value	Key Terms	Notes
EIDL	Loan	SBA sets value based upon 6 mo disaster damage estimate	3.75%, 3-30yr term Up to \$25k w/o collateral Up to \$200k w/o guarantee Payments deferred 12 mos	Apply via SBA site Min qualification criteria Tax returns, sales reports
EEIG	Grant	\$10,000	Money received is grant Grant limited to \$1000/employee	Paid 3 days after EIDL app accepted
PPP	Conditional Grant	Avg 2019 monthly payroll x 2.5	Loan forgiven if used for payroll, rent, utilities Balance at 1.0% interest Payments deferred 6 mos 2 yr term, \$10M max	Apply via authorized banks No traditional underwriting stds No collateral or guarantees Can rollover EIDL into PPP – EEIG will reduce forgiveness
7(a) / SBDR	Loan	As approved by bank, up to \$5M	Typically 10-20% collateral No principle or interest payments for 6 months	Apply via authorized banks Lending standards apply

EEIG Grant – overview, pending detailed procedures

An EIDL applicant may request an advance of up to \$10,000 from the SBA to cover certain expenses, including making rent or mortgage payments, maintaining payroll to retain employees, meeting increased costs to obtain materials unavailable from the applicant's original source due to interrupted supply chains, repaying obligations that cannot be met due to revenue losses, and providing paid sick leave to employees unable to work due to the direct effect of COVID-19. The SBA will issue an advance within three days of the SBA Administrator's receipt of the grant application. *An EIDL grant recipient will not be required to repay the advance, even if the applicant is subsequently denied an EIDL*

Non-Profit / Faith Based Eligibility

Applicant is a private non-profit organization that is a non-governmental agency or entity that currently has an effective ruling letter from the IRS granting tax exemption under sections 501(c),(d), or (e) of the Internal Revenue Code of 1954, or satisfactory evidence from the State that the non-revenue producing organization or entity is a non-profit one organized or doing business under State law, or a faith-based organization.

PPP Loan Eligibility

Businesses under 500 employees including sole proprietors, self-employed, contractors and 501(c)(3) & 501(c)(19) non-profits. Farmers eligible as of 4/3.

In operation as of February 15, 2020 paying employees or contractors

Proof of payroll can be tax filings, 1099s, payroll processor records, or P&L of a sole proprietorship

Knock outs: illegal enterprise, major owner has indictment or criminal record(5 years), delinquent on any prior government loans, only employee personal household staff

Self-Employment wage base used is Form 1040/Sch C/Line 31 income; Sch E income guidance coming

PPP is not available to non c3, c19 non-profits (social welfare, union, business leagues/CoC, social clubs, fraternal societies or political organizations). Federal tax status is determinative.

PPP Application Guidance

Funds are limited – Banks stopped taking new applications on 4/16

- Monitor bank for application reopening when new funds are available
- Federal Reserve and Congress are adding funds but demand is bottomless

Submit “pre app” to the Bank where you have a business banking relationship

- Some banks like Washington Federal, Kabbage may take new clients
- Local businesses report good experiences with Heritage and Key Bank

Banks will then contact you with actual application materials, unique by bank

- BE CAREFUL TO PROVIDE EXACT DOCUMENTATION REQUIRED: e.g. IRS 941, 944, W-3, 940, W-2s
- If you are self-employed, you may have difficulties if you do not have the above filing documents

PPP Forgiveness

Eligible Costs: Sum of these expenses made during the 8 weeks following date of the loan

Direct payroll (full and part time) including tips, but not Contractors(1099)

Benefits (health, sick pay, leave, insurance, retirement)

Rent, Mortgage Interest & Utilities

Non-payroll expenses can not be more than 25% of reimbursement amount

EIDL/EEIG Grant money received will be deducted from PPP forgiveness amount

Forgiveness Eligibility Factor*:

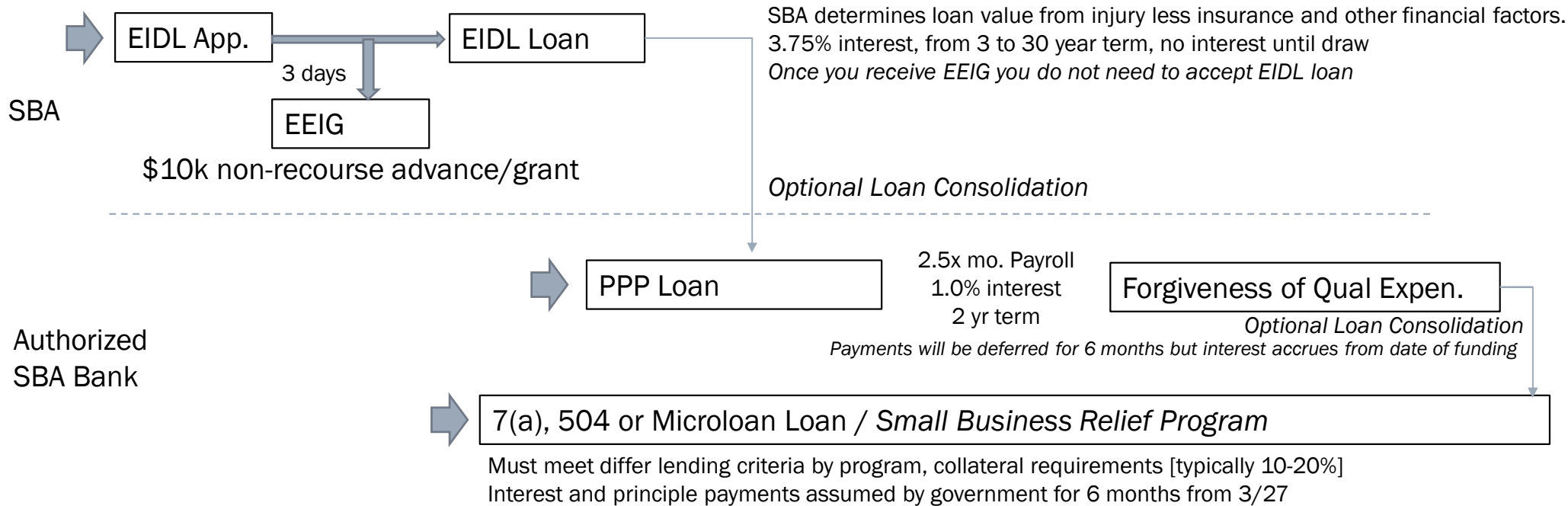
Avg FTE Employees per Month (Loan Coverage Period / Reference Period)

Reference period can be either: 2/15/19 - 6/30/19 OR 1/1/20 - 2/29/20

Documentation Required: Payroll and expense records; non-payroll contracts must predate February 15, 2020

* AICPA 4/3/20

Mapping the Programs



Caution: This process is still fluid and may change as regulations are published

A Scenario: Joe's Landscaping

Business employing owner & 5 staff [monthly payroll & benefits = \$25,000]

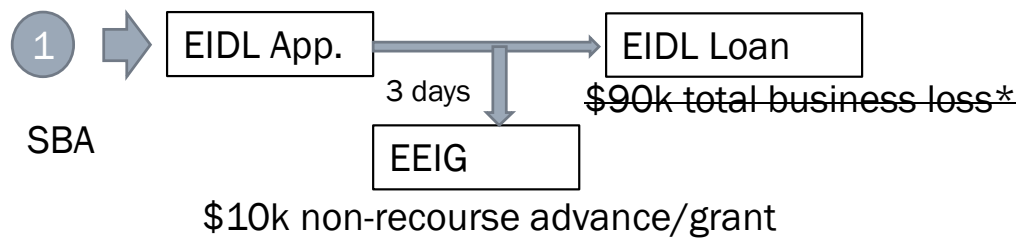
Average monthly revenue: \$35,000

Business closes due to COVID emergency on March 15, reopening June 15

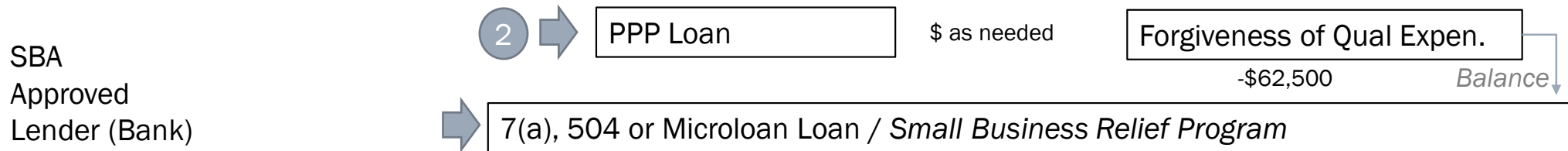
- Total Lost Revenue[TLR]: \$105,000
- Cost to Maintain Payroll per Month[PRM]: \$25,000 | \$75,000 total
- Rent (or mortgage) and utilities per Month [RUM]: \$3000
- Other Expenses per Month [OM]: \$2000

Total loss versus normal operation [PRM & RU & OM]*3 = \$90,000

Joels Landscaping – Possible Support



March 15 – June 15	Normal	COVID
Revenue	\$105	\$0
Expenses	-\$90	-\$90
Forgiven Loans / Grants		\$72.5
Profit	\$10	-\$17.5
Unreimbursed Loss / Loan or Savings		\$17.5



➔ Even in “best case” scenario Joe has still taken a loss and should focus on ramping up business quickly once crisis subsides.

* The SBA has not yet documented how they will calculate the value of these loans

Unemployment Insurance

If you can't use PPP to keep yourself and staff on payroll



Rules are evolving rapidly – monitor state ESD site, sign up for action alerts

<https://esd.wa.gov/newsroom/covid-19>



Self-employed and contractors who have not paid into system are able to apply as of 4/19

With \$600 federal payment (FPUI) total payments will be greater than prior hourly wages through 7/31 for workers making <\$60,000/year

Eligibility standards have been loosened, including 680 hour threshold

Impact on UI Experience Rating (future employer insurance payments) unclear

Getting Real



Application processes will be chaotic for weeks

Be patient, be precise, be persistent

Other Programs (partial list)

If not in PPP, employers can take a 50% refundable Employee Retention tax credit for 1st \$10000 in wages per employee [ERC]

Federal tax credits for employers required to provide COVID paid leave

Federal tax credits for contractors in lieu of paid leave

Mortgage payment deferral up to 12 months for FHA, Fannie Mae, Ginnie Mae loans

2019 income tax filing and payment, April estimated tax payment deadlines delayed to July 15

Employer share of FICA can be deferred through end of year, paid at end of 2021 and 2022

Student loan hiatus – no interest for 6 months or convert to income-driven payment plan

General Guidance Summary

Embrace “shelter-in-place” guidelines – save lives, get through this faster

Consider applying for both EIDL/EEIG and PPL programs to get access to grant money

- If you need more capital to survive 3+ months apply for 7(a) loan with payment waiver
- If can't use PPP, use expanded UI for yourself and staff OR Employee Retention Credit

Keep engaged with your employees – give them confidence in returning to work with you. Educate them on their options – UI may be best for many gig workers.

Keep engaged with your customers – invite them to pre-pay for goods & services, soft schedule work, line up additional labor to surge business revenue when restrictions lifted

Use quarantine time to upgrade your online sales and marketing – take classes learn how to make your website sell for you, market through Google and Facebook; or hire someone to help you

Useful Links

Association of Washington Business COVID Resource Page: <https://www.awb.org/covid-19-resources>

San Juan County EDC Resource Page: <https://www.sanjuansedc.org/covid-19/>

EIDL / EEIG Application: <https://disasterloan.sba.gov/ela/>

PPP / 7(a): contact your bank or one of these SBA approved lenders

- Islanders/Banner Bank: <https://www.bannerbank.com/business-solutions/business-commercial-financing/sba-cares-loans>
- Heritage Bank: <https://www.heritagebanknw.com/home/resource-center/covid-19#HereToHelpYourBusiness>
- Key Bank: <https://www.key.com/small-business/promo/stimulus.jsp>

WA ESD: <https://esd.wa.gov/newsroom/covid-19>

1:1 Mentoring Request: chris.reed@scorevolunteer.org