

## Overview of Coronavirus Aid, Relief, and Economic Security Act (CARES Act) for Small Businesses

### Generally

- Loans will be a common SBA 7(a) loan
- Unlike other SBA loans, there is no requirement that a business be unable to obtain credit from other sources
- Available for businesses of 500 employees or fewer
  - Includes non-profits, self-employed individuals, and gig economy workers

### Loan Details/Application

- Maximum amount available for a business would be the lesser of (a) \$10,000,000 or (b) a business's average total monthly payroll cost for the previous year multiplied by 2.5
  - Payroll costs means the sum of (1) salary, wage, commission, or similar compensation; (2) payment of cash tip or equivalent; (3) payment for vacation, parental, family, medical, or sick leave; (4) allowance for dismissal or separation; (5) payment required for provisions of group health care benefits, including health insurance premiums; (6) payment of any retirement benefit; and (7) payment of State or local tax assessed on the compensation of employees
- Loans would be available during an emergency period ending June 30
- Businesses must have been in business as of 2/15/2020 and paid employee salaries and payroll taxes or paid independent contractors

### Fund Usage/Loan Forgiveness

- Loan may be used to cover: (1) payroll costs; (2) costs related to continuation of group healthcare benefits during paid sick leave, family or medical leave, and insurance premiums; (3) employee salaries, commissions, or other similar compensation; (4) rent payments and payments on mortgage interest; (5) utility payments; and (6) interest on other previously accrued debt obligations
- Businesses that receive an SBA loan will receive loan forgiveness on loan proceeds that are used to cover (1) payroll costs (including most paid time off, retirement benefits, and payments for group healthcare benefits), (2) rent costs or mortgage interest, and (3) utility payments
  - Businesses will be required to provide documentation related to the above costs in order to receive forgiveness (i.e. payroll tax filings, receipts for covered payments, etc.)
  - It is important to note that forgivable portions of the loan will not be treated as gross income
  - The SBA will reduce the amount of forgiveness available to a business in proportion to the amount of any wage reductions or employee reductions that the business enacted beginning March 1, 2020 that are not reversed prior to June 30, 2020

### Loan Terms

- For any unforgiven portion of the loan, the interest rate is capped at 4%, with no prepayment penalty and a maximum maturity date of 10 years from the date the business applies for forgiveness
- Lenders are required to offer between six months to one year of complete deferment
- The loan program also waives all personal guarantee and collateral requirements

### Tax Credits

- Businesses may also receive business tax credits and payroll tax deferrals
- Qualifying businesses would be able to delay their share of payroll taxes until January 1, 2021 with 50% owed by the end of 2021 and the remaining 50% due December 31, 2022

**\*\*DISCLAIMER\*\***

*The information provided in this summary does not, and is not intended to, constitute legal advice; instead all information, content, and materials available on this site are for general information purposes only.*