

## **COVID-19 Stimulus Bill Recap with Congressman Chabot**

Programmatic changes appear to be primarily channeled through the 7(a) loan program. Key provisions include:

### **Paycheck Protection Program - \$350 Billion**

- Creation of the Paycheck Protection Program (PPP)
- Helps small businesses, 501(c)(3)'s, 501(c)(19)'s, and 31(b)(2)(c) – (Congressman Chabot stated that 501(c)(4)s not included)
- 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
  - Congressman Chabot stated that the rule of thumb is 2.5X the payroll up to \$10 million
- 100% loan guarantee through 12/31/20
  - Congressman stated they are increasing express loans from \$350,000 to \$1 million
- Eligible expenses include payroll, insurance, rent, mortgage and utilities
- A business that receives an EIDL between January 31, 2020 and June 30, 2020 as a result of a COVID-19 disaster declaration is eligible to apply for a PPP loan or the business may refinance their EIDL into a PPP loan. In either case, the emergency EIDL grant award of up to \$10,000 would be subtracted from the amount forgiven in the Paycheck Protection Plan. [\(Source\)](#)
- 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
  - Congressman Chabot stated this includes principal, interest and fees)
- Delegates authority to all existing 7(a) lenders to expedite approvals/distributions
  - Congressman stated the SBA Website will be inundated with traffic, so the best place to start for a business would be to reach out to their own lender.
- Authorizes bank and non-bank lenders to participate in PPP program
  - Congressman stated the treasury is empowering local lending institutions to execute the program using their own underwriting without SBA approval to expedite process.
- 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

### **For Businesses**

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.

### **Unemployment Insurance**

The stimulus bill offers considerable resources related to unemployment insurance. At present, this section includes final sticking points that are delaying passage of the bill.

- Creates a temporary Pandemic Unemployment Assistance (PUA) program for those not traditionally covered by unemployment insurance (UI), including the self-employed, independent contractors, or those with limited work history
- Provides an additional \$600 per week in recipients of UI and PUA for up to 4 months
- Provides an additional 13 weeks of UI after state UI expires
- Federal government will cover 100% of the cost of the first week of UI if states waive the 1 week waiting period to begin benefits
- Federal government will reimburse states for 50% of the costs incurred through 12/31/20 of unemployment benefits for state agencies and non-profits
- Federal government will pay 100% for 'short-time' programs in states with exiting programs in law and 50% of costs for states that begin 'short-time' programs during the covered period

### **Small Business Administration**

The Small Business Administration is receiving an enormous amount of funding and significant program adjustments to help small businesses weather and survive the crisis. A sample of the numbers include:

- \$349 billion for loan guarantees,
- \$675 million for Small Business Administration salaries and expenses,
- \$240 million for small business development centers (SBDC) and women's business centers for technical assistance for businesses,
- \$10 billion for emergency EIDL grants,
- \$17 billion for loan subsidies,
- \$100 billion for secondary market guarantee sales

### **Minority Business Development Agency (MBDA)**

- MBDA receives \$10 million in grant funding to support technical assistance to minority business development centers and minority chambers of commerce for counseling for minority business on available COVID-19 related resources.

### **Other provisions**

- Additional funding provided to Small Business Development Centers (SBDCs) and Women's Business Centers (WBCs)
- Requires SBA to subsidize 6 months of payments on existing 7(a), 504, or microloans beginning with the next payment.

### **Rebates**

Cash payments to U.S. residents

- All U.S. residents with an adjusted gross income of up to \$75,000 for individuals and \$150,000 for couples will receive a cash rebate of \$1,200 (ind) or \$2,400 (couples)
- Includes all taxpayers with work-eligible SSN, including those with low or no income
- Rebate amount decreases by \$5 with for every \$100 over the threshold, with individuals AGI over \$99,000 completely phased out, \$146,000 for head of household with at least 1 child phased out, and \$198,000 for couples phased out.
- An additional \$500 will be given for each child per household.