

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

Summary of Relief for Small Business

The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), a \$2 trillion economic stimulus package, was signed into law on March 27, 2020 and is meant to provide emergency economic relief to businesses and individuals impacted by the coronavirus pandemic. The new legislation includes several policies and programs intended to benefit small businesses, including emergency lending programs, grants, and tax relief. Below is a summary of the relief for small businesses provided by the CARES Act.

Forgivable Loans for Payroll & Expenses – Paycheck Protection Program (PPP)

The CARES Act allocates \$350 billion in government funding to help small businesses cover payroll and other operating expenses through the Paycheck Protection Program (“PPP”). The PPP provides small businesses with federally guaranteed loans of up to \$10mm, which can be used for payroll, rent, mortgage payments, and utility expenses. These loans are forgivable if borrowers maintain their payrolls during the crisis or restore their payrolls within a specific time period. Below is a summary of some of the key terms of the loan program.

Program Overview:

- Federally guaranteed loans available through the Small Business Administration (“SBA”) for businesses and non-profits with fewer than 500 employees (with some exceptions)
- Funds can be used for payroll costs, rent, mortgage payments, and utility expenses from February 15th to June 30th
- Loan size of up to \$10mm per business, calculated based on your prior year payroll expenses
- Loans are forgivable, meaning you do not have to repay the funds borrowed, provided you meet specific requirements to retain employees and limit reductions in employee pay
- All interest payments are deferred for a minimum of 6 months, and maximum of 1 year
- Interest rate capped at 4.0%
- No fees required
- No collateral required
- No personal guarantee required

More information on this program is available [here](#).



Emergency Working Capital Loans – Economic Injury Disaster Loan Program (EIDL)

The CARES Act temporarily expands eligibility for the Small Business Administration’s (“SBA”) Economic Injury Disaster Loan Program (EIDL). The EIDL provides working capital loans to small businesses that have experienced economic injury due to COVID-19.

- Loans of up to \$2mm per business
- Funds can be used to cover fixed debts, payroll, accounts payable, debts, payroll, and other bills that the coronavirus has affected your ability to pay
- Interest rate of 3.75% for small businesses and 2.75% for non-profits

More information on this program is available [here](#). You can apply for a loan online [here](#).

Note: You can use both an Economic Injury Disaster Loan and a Paycheck Protection Program Loan as long as the funds are not used for the same expenses.

\$10,000 Emergency Grants – Emergency Economic Injury Grants

The CARES Act allows for grants of up to \$10,000 to be made available to small businesses financially impacted by COVID-19. These grants do not need to be repaid and are meant to provide emergency funds for small businesses to cover immediate operating costs including payroll, rent, interest, and other business obligations. Anyone who applies for an SBA Economic Injury Disaster Loan is eligible to receive the grant.

- To receive a grant: [Apply for an Economic Injury Disaster Loan](#) and request the advance
- The SBA will provide the grant funds within three days of a successful loan application
- Available through December 31, 2020

More information on this program is available [here](#).

Debt Relief on Non-Disaster SBA Loans – Small Business Debt Relief Program

The CARES Act includes a new debt relief program, which provides immediate relief to small businesses with non-disaster SBA loans. The SBA will cover all loan payments, including principal, interest, and fees, for six months on SBA 7(a) loans (not made under the new Paycheck Protection Program). This debt relief will also apply to any borrower who takes out a new SBA 7(a) loan prior to September 27, 2020.

More information on this program is available [here](#).



Fully Refundable Tax Credits – Employee Retention Credit

The CARES Act provides for a fully refundable employment tax credit for all businesses closed or distressed as a result of COVID-19 to help keep workers on payroll.

- Eligibility: businesses that have been shut down due to COVID-19 or who have experienced a decrease in gross receipts of 50% or more when compared to the same quarter last year
- Covers up to 50% of payroll on the first \$10,000 of compensation including health benefits for each employee per quarter
- For businesses with over 100 employees, the credit only applies to wages paid to employees who are specifically not providing services because of coronavirus
- Credit is effective for wages paid after March 12, 2020 and before January 1, 2021

More information on changes to tax policies available [here](#).

Additional Information & Resources

[SBA Small Business Guidance & Loan Resources](#)

[State of Washington Resources](#)

[State of California Resources](#)

[Small Business Guide to the CARES Act - Senate Committee on Small Business & Entrepreneurship](#)
<https://www.sbc.senate.gov/public/index.cfm/guide-to-the-cares-act>

[SBA Emergency Loan Guide - US Chamber of Commerce](#)