

Coronavirus Disease 2019 (COVID-19) Economic Relief Opportunities for Small Businesses

Congress and the Trump Administration are working to pass billions of dollars in economic relief for small businesses affected by the novel COVID-19, commonly known as the “coronavirus.” In addition, the Small Business Administration (SBA) has issued revised guidelines to begin issuing economic injury disaster loans to small businesses in affected states. This memorandum provides an overview of existing assistance opportunities, as well as a summary of provisions being negotiated by Congress and the Trump Administration.

Existing Assistance Opportunities

SBA Economic Injury Disaster Loans

Economic Injury Disaster Loans (EIDL) are available for small businesses, small agricultural cooperatives and most nonprofits in declared-disaster areas. The SBA defines a “small business” as one that typically makes a maximum of US\$750,000 – US\$38.5 million in annual revenue and has fewer than 100 – 1,500 employees, depending on industry.

Current coronavirus-related declared-disaster areas, where EIDLs will be available, include Georgia, New Mexico, Arizona, Colorado, Texas, Utah, California, Washington, Idaho, Oregon, Maine, New Hampshire, Connecticut, Massachusetts, New York, Rhode Island, Nevada, the District of Columbia, Maryland, Virginia and Wyoming. This list will expand as the disease spreads.

Loans are determined by actual economic injury and can be worth up to US\$2 million. The interest rate is 3.75% for small businesses and 2.75% for nonprofits. The loans are long-term, up to 30 years. The SBA is working with state governors through its network of 68 District Offices to manage their disaster loan programs.

The SBA must determine the business to be creditworthy; loans that exceed US\$25,000 must be secured by collateral to the extent possible and, if the business has no collateral to pledge, assets of the business owners may need to be pledged as collateral.

Funds **may be used** to:

- Pay fixed debts
- Payroll
- Accounts payable
- Employee sick leave
- Other bills that cannot be paid due to the disaster’s impact

Funds **may not be used** to:

- Refinance debts incurred prior to the disaster event
- Make payments on other loans owned by another federal agency or the SBA
- Pay tax penalties or non-tax criminal/civil fines
- Repair physical damage, or
- Pay dividends or other disbursements to owners or partners except as related to their performance of services for the business

On March 17, SBA issued the [following guidance](#) to increase EIDL efficiency:

- Historically, the SBA has required that any state or territory impacted by the pandemic provide documentation certifying that at least five small businesses have suffered substantial economic injury as a result of a disaster, with at least one business located in each declared county/parish. **Under the just-released, revised criteria, states or territories are only required to certify that at least five small businesses within the state/territory have suffered substantial economic injury, regardless of where those businesses are located.**
- SBA disaster assistance loans are typically only available to small businesses within counties identified as disaster areas by a governor. **Under the revised criteria, disaster assistance loans will be available statewide following an economic injury declaration. This will apply to current and future disaster assistance declarations related to coronavirus.**

Under the revised criteria, once a state becomes a declared-disaster area, small businesses, private nonprofits, homeowners and renters can [apply online](#) for an SBA disaster assistance loan. As EIDL eligibility depends on small businesses’ access to other forms of capital, businesses can use the online portal to determine eligibility on a case-by-case basis.

Coronavirus-related Legislation

Public Law 116-123 (H.R. 6074), Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (Phase One – enacted)

This first phase of coronavirus-related relief legislation removed regulatory hurdles and authorized the SBA to provide an estimated US\$7 billion in low-interest disaster loans to small businesses. To enhance the process, the legislation provides US\$20 million to cover SBA expenses in this effort.

Public Law 116-127 (H.R. 6201), Families First Coronavirus Response Act (Phase Two – enacted)

On March 18, President Trump signed H.R. 6201, the Families First Coronavirus Response Act. Individuals affected by the novel coronavirus can receive paid leave, food assistance and unemployment insurance will be expanded, and Medicaid funding to states will be increased. The measure will also provide tax credits to employers to offset the costs of providing emergency paid leave, and require insurers, Medicare, Medicaid and other federal health programs to fully cover testing and related services for the virus.

This law includes a provision that allows the Secretary of Labor to exempt small businesses with fewer than 50 employees from the paid leave requirements.

Phase Three – Additional Stimulus Package

The Trump Administration has asked Congress for an additional US\$1.3 trillion economic stimulus package (though, Democrats will likely seek a higher amount). Current proposals include US\$500 billion in cash transfers to American individuals; US\$300 billion for small businesses; US\$50 billion for the airline industry; and US\$150 billion for additional industries.

Senate Majority Leader Mitch McConnell's proposed legislation, which incorporates provisions included in a recent measure proposed by Small Business Committee Chairman Marco Rubio and others, provides US\$300 billion for small businesses:

• Small Business Interruption Loans

- To provide continuity of employment through business interruptions, this provision would authorize the creation of a small business interruption loan program.
- The US government would provide a 100% guarantee on any qualifying small business interruption loan.
- Qualifying loan terms:
 - Eligible borrowers: Employees with 500 employees or less
 - Loan amounts: Maximum of US\$10 million (a factor of the average monthly payments by applicant for payroll, mortgage payments, rent payments and other debt obligations during the one-year period before the date on which the loan is made)
- Uses of loan:

- Paid sick, medical or family leave
- Costs related to continuation of group healthcare benefits during periods of leave
- Employee salaries
- Mortgage payments
- Any other debt obligations
- Loans would be forgiven if employers maintain their payroll during the covered period (March 1, 2020 – June 30, 2020).
 - Individual employees in excess of US\$33,000 during the covered period are not eligible for loan forgiveness
 - Qualified sick leave wages under Sections 7001 and 7003 of [Public Law 116-127](#), Families First Coronavirus Response Act are not eligible for loan forgiveness
- SBA application fees would be waived.

• Entrepreneurial Development

- SBA may provide assistance in the form of grants to small business development centers and women's business centers to provide education, training and advising to covered small business concerns.
- Authorizes US\$10 million in grants for Minority Business Development Agency's Minority Business Centers to offer small business owners counseling, training, and technical assistance.

• Delay of Payment of Estimated Tax Payments for Corporations

- Allows corporations to postpone estimated tax payments due after the date of enactment until October 15, 2020.
- Allows employers and self-employed individuals to defer payment of the employer share of the Social Security Tax. The provision requires that the deferred payroll tax be paid over the following two years.
- Waives the non-federal match requirement for Women's Business Centers for a period of three months.

As of the time that this alert was issued, Leader McConnell conveyed his expectation that bipartisan negotiations on Phase III would be concluded by Friday, March 20, 2020, with a final vote out of the Senate on Monday, March 23, 2020.

For additional assistance, please visit SBA Disaster Loan Assistance, at www.disasterloan.sba.gov, call the SBA Disaster Assistance Customer Service Center at 1 (800) 659-2955 or 1 (800) 877-8339, or email at the following: emaildisastercustomerservice@sba.gov. If you need any assistance navigating the program or have any questions about SBA's Economic Injury Disaster Loan (EIDL) Program, please contact any of the contacts listed below.

Contacts

Jack Kingston

Principal, Washington DC
T +1 202 457 6523
E jack.kingston@squirepb.com

Jack Deschauer

Partner, Washington DC
T +1 202 457 6338
E jack.deschauer@squirepb.com

Pablo E. Carrillo

Of Counsel, Washington DC
T +1 202 457 6415
E pablo.carrillo@squirepb.com