

# CARES Act SBA Loan Information

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Hotta Liesenberg Saito LLP



# Economic Injury Disaster Loans (EIDL)

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- To soften the economic impact from COVID-19, companies may borrow up to \$2 million dollars under this program.
- Applications for the EIDL are already open. (Online application form [here](#))
- Unlike the PPP (page 3), the EIDL is a loan that is also offered in disaster situations, such as hurricanes.
  - Loan terms vary depending on financial situation of company.
  - Loan repayment period up to 30 years, with 12 months of deferral until first payment.
  - Interest rates capped at 3.75 percent.
- Available to use for payroll, insurance, rent, utilities, interest payments on existing debt, and operating capital costs.
  - If the expenses fall within one of these categories, the loan may be used freely.
- As a special measure, EIDL applicants may receive a \$10,000 dollar emergency grant in approximately 1 week. This grant will not have to be repaid, even if the EIDL application is denied.
- If a company applies for both the EIDL and the PPP, there may be limitations on usage of the loan.
  - For example, you cannot utilize the EIDL and PPP for the same payroll expenses, etc.  
**(Cannot use the same expense for two benefits programs)**

# Economic Injury Disaster Loan Application

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- Can be applied to from the Small Business Administration (SBA) website  
Online application form can be found [here](#)
- Online applications process should take no longer than 20 minutes
- Information Required (Partial)
  - EIN or SSN
  - Gross revenue and cost of goods sold  
(for the 12 months prior to 1/31/2020)
  - Date of incorporation
  - Number of employees as of 1/31/2020
  - Bank account information
- Cash advance of up to \$10,000 will be distributed fairly quickly.  
(The SBA website notes grants will be deposited within 3 days, but actual deposits seem to be taking around a week.)
- The process after applying online is still unclear. There may be requests to send additional documents.

# Paycheck Protection Program (PPP)

**Applications for the PPP opened on April 3, 2020. Most banks have set limits on the total number of loans and loan amounts they will process. If you are likely eligible, we recommend talking to your bank representative as soon as possible.**

- The Paycheck Protection Program is a low-interest loan, designed to incentivize employers maintaining and rehiring employees. Repayment is forgiven if certain requirements are met.
- Maximum amount available is either (1) 2.5 times average monthly payroll costs or (2) 10 million dollars, whichever is lower.
- Payroll costs include payment for group healthcare benefits, employee retirement benefits, etc.
- Each employee's payroll costs are capped at \$100,000.  
(If an employee's payroll exceeds this amount, up to \$100,000 may be included.)
- Repayment term is 10 years, with a maximum interest rate of 4%. Payment deferral is available for 6 months.
- Repayment is forgiven for certain expenses, such as payroll, group healthcare costs, rents, utilities, and interest on pre-existing debt.
- To qualify for loan forgiveness, it is necessary to maintain employee headcounts and payroll at the same levels as during 2019. However, detailed calculations have not yet been announced.
- Due to a lack of information from both the banks and the government, processing of applications is expected to be delayed.

# Paycheck Protection Program Application

- Financial institutions that are part of the Small Business Association (SBA) program
  - Information can be found on Web [SBA Lender Search](#)
  - Most major banks are SBA lenders. Please speak with a representative from your bank for further details.
- Application starts from:
  - 4/3/2020 –Small Businesses and Sole Proprietorships
  - 4/10/2020 –Independent Contractor and Self-employed

However, banks are having trouble responding to this situation, and applications have been delayed. Each bank is continuously updating their website with information.  
(For details on the application process, please confirm with your bank representative.)

- Required Information
  - The SBA has released a sample application form. [View sample application form](#)
  - Though requirements may vary from bank to bank, examples of required documents are below:
    - Data of incorporation
    - Payroll data
    - Employer portion of group healthcare costs
    - Employer portion of retirement benefit costs
    - Financial statements
    - Rent and mortgages
    - W-2s and 1099s

# SBA Loan Eligibility Requirements

- Both the EIDL and PPP loans are intended for Small Businesses, as defined below.
- If the company is part of an affiliated group, it is necessary to determine whether the company falls under the employee size limits, *inclusive of the parent and all other group companies*.
- The CARES Act has not specified whether the applicant is required to be a US citizen or hold permanent resident status. If the company is owned by a foreign entity/owner and rejected on those grounds, we recommend asking for an explanation and re-negotiating with your bank.

## For the EIDL:

- Companies with less than 500 employees, or companies that fulfill the Small Business requirement determined by the SBA. The SBA's [Size Standard Table](#) is updated regularly, with specific employee/revenue size requirements for each industry. (A tool to quickly find your industry can be found [here](#))
- Sole proprietorships (whether or not they have employees) and Independent Contractors

## For the PPP:

- Companies with less than 500 employees, or companies that fulfill the Small Business requirement determined by the SBA.
- Companies that operate under the 72 NAICS Code (Accommodations/Food Services) that employ 500 or fewer employees per physical location.
- Sole proprietorships, independent contractor, and eligible self-employed individuals

# Employee Retention Credit

## Employers who receive PPP loans are not eligible for this credit.

- For organizations that fulfill one of the two requirements below (All organizations applicable, no limit on size)
  1. Organizations that fully or partially suspended operation during any calendar quarter in 2020 due to orders from an appropriate governmental authority limiting commerce, travel, or group meetings (for commercial, social, religious, or other purposes) due to COVID-19; or
  2. Employers whose gross receipts for the quarter ended March 31, 2020 were 50 percent or less than the gross receipts for the same quarter in 2019. However, if gross receipts recover to 80 percent or more of last year's levels, the employer's eligibility is withdrawn.
- Up to 50% of qualified wages paid to employees will be refunded as a credit to payroll taxes.
  - 2 definitions of qualified wages differ based on size of organization:
    - For employers with less than 100 employees: wages paid to all employees, regardless of whether they worked or not
    - For employers with more than 100 employees: wages paid to employees who did not work during the calendar quarter, such as laid-off employees, suspended employees, etc.
  - Employee headcount is based on the average number of employees in 2019, **inclusive of all employees of the parent and affiliated group companies.**
- This program applies a 50 percent credit on all qualified wages (including group healthcare and benefit costs) paid per employee, up to \$10,000. (Therefore, the maximum credit is  $\$10,000 \times 50\% = \$5,000$ )
- Qualified wages are wages paid between March 13, 2020 and December 31, 2020.
- Employers who don't meet the Small Business standard can qualify for this credit.

# Payroll Tax Deferral

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- Employers may defer payment of payroll taxes.
- Self-employed individuals may defer up to 50 percent of self-employment taxes.
- For the deferred portion of payroll and self-employment taxes, 50 percent must be paid by the end of 2021, and the remaining 50 percent must be paid by the end of 2022.
- This deferral is applicable to payroll taxes incurred between March 31, 2020 and December 31, 2020.
- If a loan received under the Paycheck Protection Program is **forgiven\***, the company will not be able to elect to defer its payroll tax.

\*Note: The employee retention credit mentioned on the previous slide is not applicable if a company has already received a loan through the PPP. However, the payroll tax deferral is not applicable if the PPP loan received has been forgiven. Due to slight differences in requirements, careful consideration must be given when applying for both the PPP and the payroll tax benefits.



# Comparison of EIDL and PPP

	EIDL	PPP
Appropriation	\$10 billion	\$349 billion
Application Period	March 30, 2020 through December 31, 2020	April 3, 2020 through June 30, 2020 (Process is delayed)
Use of Proceeds	Working Capital	Payroll and group health costs, salaries and commissions, mortgage and rent payments, utilities, and interest on other debt.
Where to Apply	Directly apply from the SBA website	Apply with banks that handle SBA loans. Depending on the bank, applications may only be accepted for companies with existing relationships, so it is necessary to confirm with a representative from your preferred lender. There is a possibility that online applications through the SBA website will become available. (Government is currently under deliberation.)

# Comparison of EIDL and PPP

	EDIL	PPP
General Eligibility	Small businesses and private non-profits meeting SBA's size standards	<ul style="list-style-type: none"> <li>- Companies with less than 500 employees*</li> <li>- Small businesses and private non-profits meeting SBA's size standards</li> <li>- For companies within the Accommodations (hotels) and Food Services (restaurants) industries, even if they do not meet the above requirements, if a single location has less than 500 employees they are eligible for the loan.</li> </ul>
Application Process	Apply online through SBA website	Details to be released after April 3, 2020
Criteria	Check based on credit score.	No conventional credit checks. Instead, the existence of business activities at 2/15/2020, whether there were any employees, whether payroll taxes were paid, etc. will be examined.

\*Employee headcount must include all foreign affiliates within the group.

# Comparison of EIDL and PPP

	EIDL	PPP
Loan Amount	Maximum \$2 million dollars	Lower of: (1) Average total monthly payroll costs for prior year multiplied by factor of 2.5 plus EIDL proceeds received; or (2) \$10 million
Terms	Period: Generally 15 years, max 30 years Interest: 3.75% (Business) 2.75% (NPO)	Period: Max 10 years Interest: Fixed or variable, max 4%
Collateral	Necessary for loans over \$25,000	None
Loan Guarantee	Necessary for loans over \$200,000	None
Repayment Forgiveness	An emergency fund of \$10,000 will be paid out relatively quickly. Repayment is not required. Even if the loan is not approved, the \$10,000 will not have to be repaid. Anything above the \$10,000 emergency fund will not be forgiven.	Payroll costs and mortgage, rent, and utility payments made during the first 8 weeks of the loan will be forgiven. Forgiveness amounts will be subject to reduction based upon employment figures. Amounts forgiven will be treated as “cancelled indebtedness” but will not be taxed as gross income