

COVID-19 Small Business Relief Q&A

Employee Retention Tax Credit

- **What is an “employee retention” tax credit?**
 - If you’ve had to close your business or have lost half of your year-over-year revenue, the employee retention tax credit is available to help you cover the cost of keeping your employees on payroll.
 - It’s a refundable tax credit you can claim against your payroll taxes for half of any wages you are still paying to your employees, even if they’ve been furloughed or are working reduced hours.
 - If the tax credit is bigger than your payroll tax liability, the IRS will directly pay you the excess amount.

- **How do I know if I qualify for these tax credits?**
 - The tax credits are available to any employer who has been forced to close or partially close as a result of federal, state, local, or tribal orders to limit commerce, travel, or group gatherings as a result of COVID-19.
 - It is also available to any employer who has experienced at least a 50 percent drop in quarterly revenues, as compared to the same quarter from 2019.
 - If your business wasn’t around in 2019, the IRS will soon be providing guidance on an alternative method for you.
 - Please visit www.irs.gov for more upcoming details.

- **What if I’ve taken out a Small Business Administration (SBA) Interruption loan to help cover my payroll?**
 - In that case, the employee retention credit is not available to you.
 - The credit provides an alternative to the SBA loan program for employers.
 - That is why the credit is only available to employers who do not have an SBA Interruption Loan.
 - Both programs seek to help business owners continue to cover payroll costs throughout the public health crisis.

- **How long will the credit be available?**
 - Generally, the employee retention credit will be available for the rest of 2020 (through December 31).
 - If you qualify because your business has fully or partially closed, the credit is available to you until you reopen.
 - If you qualify because your revenues have dropped by more than 50 percent, the credit is available to you until the first calendar quarter after your revenues have recovered to at least 80 percent of prior year amounts.

- These revenue figures are calculated on a year-over-year quarterly basis. For example, you would compare gross revenue for the first quarter of 2020 to gross revenue for the first quarter of 2019.
- **Is there a size limit for employers eligible for the employee retention tax credit?**
 - There is no size limit, on either number of employees or revenues, for the retention credit.
 - All businesses, regardless of size, that have been forced to partially or fully close or that have a significant drop in sales can qualify.
 - The credit is provided for wages paid to furloughed or reduced-hour employees, up to \$10,000 of wages per employee.
 - Smaller employers, with 100 employees or less, can claim the credit for all employee wages, up to \$10,000 per employee, regardless of whether or not the employee is furloughed.
- **How much is the credit worth?**
 - The tax credit is worth 50 percent of wages and benefits paid to employees, and is provided for up to \$10,000 of combined wages and benefits per employee.
 - As the credit is worth 50 percent, this means the maximum credit will be \$5,000 per employee.
- **Does it just cover wages? What about other benefits?**
 - The credit covers regular wages in addition to health benefits provided to your employees, up to \$10,000.
 - For more information on how to calculate the amount of health benefits provided, please visit www.irs.gov more upcoming details.
- **How do I claim the credits?**
 - The credits can be claimed against employer payroll taxes on your quarterly payroll tax return (IRS Form 941).
 - There will also be options to receive advance payments or defer paying payroll taxes
 - Lookout for information and form updates from the IRS at www.IRS.gov and talk to your payroll service provider, if you use one.
- **What if I don't have enough money to pay payroll and wait for a credit to reimburse me?**
 - You are allowed to hold onto payroll taxes you would normally have to deposit with the IRS, in anticipation of the credit.
 - That way business owners do not have to make deposits if they anticipate that the credit will cover all the taxes they would normally pay.

- The IRS will soon be providing an option for businesses to receive advance payments of their credits, without having to wait to file their quarterly payroll tax return.
- Please be alert for forthcoming IRS guidance on this topic at www.irs.gov.
- **What about covering other costs, like rent or utilities?**
 - The employee retention credit can only be claimed against wages.
 - Expanded, low-costs loans are available through the Small Business Administration (SBA), which can help businesses cover some of these expenses.

Changes to Tax Filing and Payment Deadlines

- **When is my 2019 tax return due?**
 - The tax filing due date for individuals and calendar-year corporations has been extended to July 15.
 - 2019 federal income taxes, as well as 2020 federal estimated payments, will not be due until July 15 of this year.
 - More information regarding delayed filing and payment deadlines can be found here: [Filing and Payment Deadlines Questions and Answers](#)
- **Were there any changes to payroll taxes?**
 - Employers can defer paying the employer portion of certain payroll taxes through the end of 2020
 - Deferred amounts will become due in two equal installments, one at the end of 2021, the other at the end of 2022.
 - Payroll tax deferral is not provided to employers that avail themselves of SBA Paycheck Protection Program.
 - Please look for information at IRS.gov and discuss with your payroll service provider, as applicable.

New Small Business Loans under the Paycheck Protection Program (PPP)

- **What are these new loans?**
 - The stimulus bill that Congress recently passed includes nearly \$350 billion in funding for a provision to create a Paycheck Protection Program (PPP) that will provide small businesses and other entities with zero-fee loans of up to \$10 million. These temporary new loans, created for this emergency situation, do the following:
 - Forgive up to 8 weeks of average payroll and other costs if your business retains its employees and their salary levels.
 - Defer principal and interest for up to a year and all your borrower fees are waived.
 - This temporary emergency assistance through the U.S. Small Business Administration (SBA) and the Department of Treasury can be used in

coordination with other COVID-financing assistance established in the stimulus bill or any other existing SBA loan program.

- **Does my business qualify for this new loan?**

- It depends. These loans are meant to help nonprofits and small businesses with and without employees. They are only available to the following entities:
 - A small business, nonprofit, veteran's organization, or Tribal business concern with no more than 500 employees, or the applicable size standard for the industry as provided by SBA, if higher.
 - Sole-proprietors, independent contractors, and other self-employed individuals.
 - Businesses with more than one physical location that employ no more than 500 employees per physical location.
- To find out more, please visit <https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-re-sources>.

- **What else are lenders considering when determining if my business is eligible to receive this loan?**

- Eligibility evaluations are limited to whether your business was operational on February 15, 2020, and had employees for whom you paid salaries and payroll taxes, or paid independent contractors, and whether your business is substantially impacted by public health restrictions related to COVID-19.
- There is no requirement to evaluate your ability to repay the covered loan or whether you could find credit elsewhere, unlike the normal 7(a) requirements.
- In addition, no collateral or personal guarantees are required for a covered loan, and lenders will be required to provide complete payment deferment relief of 7(a) loan payments for not more than one year.
- The SBA will provide guidance on this to lenders within 30 days after the law is signed. Stay tuned and visit <https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-re-sources> for more information.

- **If my business qualifies, how much can I receive?**

- If your business qualifies, you will be allowed to borrow up to the lesser of (i) \$10 million or (ii) the business's average total monthly payroll costs during the one-year period prior to the loan being made multiplied by 2.5. Payroll costs include salaries, wages, tips, payments for sick leave, insurance premiums and state and local taxes assessed on the compensation of employees, but does not include compensation of individual employees in excess of an annual salary of \$100,000, as prorated for the relevant period.

- For a seasonal business, the average total monthly payment is determined by a 12-week period beginning February 15, 2019, or if the business chooses, March 1, 2019, and ending June 30, 2019.
- **If my business qualifies, what can it use the loan for?**
 - The loan may be used to cover the following:
 - Paid sick, medical or family leave
 - Costs related to continuation of group healthcare benefits during periods of leave
 - payroll costs
 - mortgage, rent and utility payments,
 - and interest on other debt obligations incurred prior to February 15, 2020.
- **Is there loan forgiveness?**
 - Yes, provided your business meets certain conditions.
 - Your business will be eligible to apply for loan forgiveness equal to the amount spent by you during an 8-week period after the loan closing date on payroll costs, interest on mortgages, payments of rent, and utility payments, in each case that were in place before February 15, 2020.
 - Principal payments of mortgage payments will not be eligible for forgiveness.
 - The amount forgiven is reduced proportionally by any reduction in employees retained compared to the previous year and by the reduction in pay of any employee beyond 25 percent of the prior year's compensation; however, reductions in pay for employees who have an annualized salary of more than \$100,000 are not considered in this calculation.
 - However, if your business re-hires workers previously laid off from February 15 through April 1, 2020 your business will not have those numbers counted against it during the period for loan forgiveness purposes, so long as the employees are rehired by June 30, 2020.
- **Where can I go for more information on how to access these loans?**
 - For more information, please visit sba.gov.
 - You can also reach out to your state's District Office of the U.S. Small Business Administration (620 SW Main Street Suite 313, Portland, OR). Phone: 503-326-2682. Fax: 503-326-2808. Larry Trujillo is the Lead Lender Relations Specialist (503-326-5205, larry.trujillo@sba.gov).
- **Can an entity that is not already an SBA lender become one for this program?**
 - Yes.
 - Under this program, the Treasury Secretary has the authority to quickly approve new lenders to the 7(a) program to increase the availability of loans, and delegates authority for eligibility determinations to lenders in order to fast track loan approvals.

- **Where can I get loans?**

- Here is a list of traditional SBA lenders in the state:

https://www.sba.gov/sites/default/files/articles/Lender_Listing_4.17.pdf.

Loans Specific to Small Business Development Centers, Women’s Business Centers, and Minority Business Development Centers:

- **Are there any loans for training, counseling and general assistance to small businesses during this pandemic?**

- Yes.
- The stimulus package Congress recently passed provides \$10 million for the Minority Business Development Agency and \$265 million for grants to SBA resource partners like Small Business Development Centers and Women’s Business Centers to offer counseling, training, and general assistance to small businesses.
- For more information on the Minority Business Development Agency loans, please visit <https://www.commerce.gov/bureaus-and-offices/mbda>.
- For more information on the Small Business Development Centers and Women’s Business Centers loans, please visit <https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-re-sources>.

Debt Relief on Existing Small Business Loans

The stimulus package Congress recently passed also includes a provision that will ensure every small business with a loan from the Small Business Administration (SBA) will be relieved of their loan payments for the next six months.

- **How does this work, exactly?**

- The SBA already has the authority to pay the principal, interest, and fees on all products it has guaranteed — specifically its 7(a), 504, and microloan programs.
- Congress has now stepped in to appropriate almost \$17 billion for this relief fund, so that the SBA can make payments on behalf of small business borrowers to cover 6 months of payments.
- These SBA payments are mandatory for all SBA loans. Neither banks nor the SBA have to identify which borrowers need the aid.

- **Which SBA lending programs are included?**

- The 7(a) Loan Guarantee Program, which is used by small businesses like restaurants, hotels, childcare centers, and medical and dental practices.
- The 504 Certified Development Company loan guarantee program, which provides long-term fixed rate financing for major fixed assets, such as land, buildings, equipment, and machinery and microloan programs.

- The Microloan program, which provides loans of up to \$50,000 to small businesses and nonprofit child care centers, via nonprofit intermediary lenders.
- **Will this pay for expenditures in addition to the loan itself?**
 - This provision would relieve small businesses of their loan payments entirely, including principal, interest, and fees.
- **How will this interact with the new small business loans (PPP loans described above)?**
 - Stabilizing the existing portfolio of SBA-backed loans will enable lenders to focus on getting hundreds of billions in new emergency loans to the small businesses that need them most.
 - While SBA borrowers are receiving the six months debt relief, they may apply for a Paycheck Protection Program (PPP) loan that provides capital to keep their employees on the job.
 - The six months of SBA payment relief may not be applied to payments on PPP loans. However, those loans already have forgiveness provisions that essentially make them grants if you meet certain requirements. (see above for more information!).
- **How many small businesses will benefit nationwide?**
 - This will secure relief on SBA loan payments for more than 320,000+ across the country.
- **Does my business already need to have an SBA loan to take advantage of this relief?**
 - No.
 - This relief will also be available to new borrowers who take out an SBA loan within six months after the President signs the bill. (Exception for PPP loans — see above for more information)
- **What about veterans?**
 - As you may know, under current law, SBA cannot waive fees on 7(a) Express loans to veterans when the President's budget projects a cost above zero for the overall 7(a) loan program.
 - The stimulus package fixes this on a permanent basis.
 - It includes a provision that allows SBA to waive fees for veterans and their spouses in the 7(a) Express Loan Program, regardless of the President's budget.
- **Where should I go for more information?**
 - For more Oregon-specific information, you should reach out to the Oregon District Office of the U.S. Small Business Administration (620 SW Main Street Suite 313, Portland, OR). Phone: 503-326-2682. Fax: 503-326-2808. Larry

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Economic Injury Disaster Grants and Loans

- **What are these grants/loans?**
 - There are two types of grants/loans that fall under this category. The first is a grant created by the stimulus bill Congress recently passed. This grant includes \$10 billion in funding to provide an advance of \$10,000 to all small businesses and nonprofits that apply for an SBA economic injury disaster loan (EIDL) within three days of applying for the loan.
 - The second is the already existing EIDLs, which are loans of up to \$2 million that carry interest rates up to 3.75 percent for companies and up to 2.75 percent for nonprofits, as well as principal and interest deferment for up to 4 years. The loans may be used to pay for expenses that could have been met had the disaster not occurred, including payroll and other operating expenses.

- **What if I apply for the EIDL grant in the stimulus but subsequently get denied a loan under the EIDL program?**
 - The EIDL grant does not need to be repaid, even if you are subsequently denied a loan under EIDL, and may be used to provide paid sick leave to employees, maintain payroll, meet increased production costs due to supply chain disruptions, or pay business obligations, including debts, rent and mortgage payments.
 - These grants go to businesses and other entities that suffer substantial economic injury as a result of the declared disaster, regardless of whether you sustained physical damage.

- **Who is eligible for the EIDL grant in the stimulus package Congress recently passed?**
 - Eligible entities include:
 - A business with not more than 500 employees
 - Private nonprofits
 - A cooperative with not more than 500 employees
 - A tribal business concern, and
 - ESOPs with not more than 500 employees or
 - an individual who operates under a sole proprietorship, with or without employees, or as an independent contractor
 - Eligible grant recipients must have been in operation on January 31, 2020.

- **Has my county been declared a disaster for the purposes of the EIDL grants and loans?**

- Yes, Oregon has been declared an economic disaster, giving small businesses and other eligible entities access to emergency resources.
- **What other criteria can the SBA Administrator use or not use to determine if my business is eligible for the grant in the stimulus?**
 - The Administrator may approve an applicant based solely on the credit score of the applicant and cannot require an applicant to submit a tax return or a tax return transcript for such approval.
 - The Administrator can also use alternative appropriate methods to determine an applicant's ability to repay.
 - Additionally, the Administrator will waive any rules related to a personal guarantee on advances and loans of not more than \$200,000 during the covered period (the period beginning on January 31, 2020 and ending on December 31, 2020) for all applicants.
 - The Administrator will also waive the requirement that an applicant needs to be in business for the 1-year period before the disaster, except that no waiver may be made for a business that was not in operation on January 31, 2020.
 - The Administrator will also waive the requirement that an applicant be unable to obtain credit elsewhere.
- **What can I use the grant for?**
 - The grant may be used to cover the following:
 - Providing paid sick leave to employees unable to work due to the direct effect of the Covid-19;
 - Maintaining payroll to retain employees during business disruptions or substantial slowdowns;
 - Meeting increased costs to obtain materials unavailable from your original source due to interrupted supply chains;
 - Making rent or mortgage payments; and
 - Repaying obligations that cannot be met due to revenue losses.
- **If I get an EIDL loan, can I also apply for a PPP loan?**
 - Yes.
 - 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 payroll protection plan.
- **Where should I go for more information?**
 - To apply, please go to <https://www.sba.gov/funding-programs/disaster-assistance>.

- For more Oregon-specific information, you can also reach out to the Oregon District Office of the U.S. Small Business Administration (620 SW Main Street Suite 313, Portland, OR). Phone: 503-326-2682. Fax: 503-326-2808. Larry Trujillo is the Lead Lender Relations Specialist (503-326-5205, larry.trujillo@sba.gov).