

INFORMATIONAL MESSAGE FOR MERCHANTS ECONOMICALLY IMPACTED BY THE CORONAVIRUS (COVID-19)

To Our Valued Merchants:

We recognize the impact COVID-19 has had on small business. You may be aware that our government has made disaster funds available to all small businesses impacted by COVID-19. To aid our merchants in identifying various programs and requirements, we have outlined relevant information we hope will help answer some questions related to COVID-19 relief for small businesses.¹

In response to COVID-19, the Federal Government has expanded the Small Business Administration's (SBA) disaster loan programs to all small businesses affected by COVID-19. Various loan programs are available to assist small businesses that have been economically impacted. The most recent action taken by the legislature is the Coronavirus Aid, Relief, and Economic Security Act (Act or CARES Act). The Cares Act was signed into law on March 27, 2020 and contains several provisions aimed at helping small business by offering new relief programs or enhancing existing programs.

Please read below for a general summary of several loan programs available to small businesses impacted by COVID-19. For purposes of this communication, eligible businesses will generally include, but are not limited to, small business with fewer than 500 employees in a physical location, restaurants, hotels, franchises.

Paycheck Protection Loans (Covers expenses incurred from February 15, 2020 through June 30, 2020)

Under the CARES Act small business may be eligible for expedited, low interest individual loans, up to \$10 million.² Paycheck Protection Loans are intended to cover payroll, paid sick leave, health care, mortgage payments, rent, and utilities and are available through a growing list of approved lenders.³ The SBA is expected to issue loan regulations within 15 days of the CARES Act. Approved lenders and other professional should be able to provide additional information, including how to apply at that time.

Other program highlights include:⁴

- Fully backed by the U.S. government
- Loan forgiveness up to 8 weeks of payroll or qualified expenses
- No collateral or personal guarantee required during the Covered Period
- Maximum interest rate of 4%
- Approved lenders are permitted to make credit and eligibility determinations
- Refinance EIDLs (discussed below) obtained since January 31, 2020
- Payment deferment for up to 1 year

Economic Injury Disaster Loans (EIDLs)⁵ (January 31, 2020 through December 31, 2020)

¹ The information provided here is for information purposes, only, and is not intended to be all-inclusive of the various loan, tax, and other benefits available to small business, nor of all requirements and eligibility for any program. If you have specific inquiries, please contact your local government, financial institutions. Likes with additional information are provided here.

² The lesser of \$10 million or 2.5 times your regular payroll for specified period based on business operations.

³ <https://www.sba.gov/funding-programs/loans/lender-match>

⁴ This program provides additional incentives for small businesses who retain their work force.

⁵ Limits participation to business operating primarily in the U.S. (or makes a significant contribution to the U.S. economy) with less than 50% ownership/participation by a foreign entity.

EIDLs were available prior to the Cares Act. This program provides up to a \$2 million low-interest loan for working capital to small businesses suffering substantial economic injury as a result of COVID-19. The loan process is typically three weeks. This program was enhanced by the CARES Act, which infuses an additional \$10 billion into the program.

Other program highlights include:

- No personal guarantee for loans below \$200,000
- No requirement for a business to have operated for one year
- No requirement that a business be unable to find a loan elsewhere first
- Can be approved solely based on credit score
- Interest rates 3.75% (small business) and 2.75% (private non-profits)
- Repayment terms up to 30 years

EIDLs uses and restrictions include:

EIDL Permitted Uses	EIDL Prohibited Use
<ul style="list-style-type: none"> • For payroll • As working capital • To pay fixed debts • To pay accounts payable • For business inventory • Employee sick leave 	<ul style="list-style-type: none"> • For paying off or refinancing pre-disaster debts • To pay other loans from other federal agencies or the SBA • To pay tax penalties • To repair physical damage • To pay dividends or other owner disbursements

For more information on EIDLs, visit <https://www.sba.gov/disaster-assistance/coronavirus-covid-19#section-header-1>. Or to apply (before December 31, 2020) visit. <https://disasterloan.sba.gov/ela/>.

EIDLs – Emergency Grant

If you have applied for an EIDL, you may be able to obtain an emergency grant, an advance of receiving your loan. This grant can be used for payroll, sick leave, rent or mortgage payments, and repaying obligations that cannot be met due to revenue losses. To receive this advance, a business must apply and be determined to be eligible for an EIDL by the SBA.

Other program highlights include:

- Receive up to \$10,000 while their application is pending
- which the SBA much distribute within 3 days.
- May not have to be repaid, even if your EIDL is not approved.

SBA Express Loans Highlights

- SBA express loans Maximum loan amount increased from \$350,000 to \$1 million
- Repayment terms up to 10 years.

- Interest deferred for 1 year
- SBA turnaround time as short as 36 hours
- Can be used for long or short term capital
- Cover renovation costs
- Refinance certain business debts

Specific Tax Benefits of the CARES Act⁶

5 Year NOL Carryback: Net operating losses from 2018, 2019, and 2020 can be carried back 5 years (previously no carryback was allowed) and the 80% limitation has been removed so the full amount of NOL can be used to offset prior year taxable income.

Refundable AMT Credits: AMT credit refunds have been accelerated to allow recovery on the 2018 and 2019 returns (instead of over several years through 2021).

Payroll Tax Deferral: Deferral of the employer portion of social security (6.2% on employee wages) for the remainder of 2020 and paid over the following two years with half of the amount required to be paid by December 31, 2021 and the other half due by December 31, 2022.

Employee Retention Credit: A tax credit is available for 50% of the wages paid to an employee who is not performing services due to a partial or full suspension in operations caused by COVID-19. The credit is also available if there is a greater than 50% decline in revenue in a 2020 quarter compared to the same quarter in 2019. The credit is applied against employment taxes and capped at \$5,000 per employee (50% credit on \$10,000 max of wages). The credit is effective for wages paid during the period of March 12 through December 31, 2020.

Additional Information

We may provide additional details or updates related to SBA Loans provisions under the CARES Act. However, you should continue to refer to resources such as your local lenders, tax and other professional, and your local government.

Other Resources

Apply for EIDLs online or find out more at <https://disasterloan.sba.gov/ela>
Ask the SBA questions via email at DisasterCustomerService@sba.gov
SBA's local assistance directory at <https://www.sba.gov/local-assistance>

⁶ See your tax professional for details or an explanation of these benefits.