



ECONOMIC RECOVERY TOOLKIT

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KEY COVID-19 BUSINESS ASSISTANCE PROGRAMS

Have you checked your eligibility for key programs to assist business recovery from COVID-19?

Use this checklist to review the Chambers guides to some of the key programs available.

- SBA – PAYCHECK PROTECTION PROGRAM (PPP)**
 - Forgivable loans designed to provide a direct incentive for small businesses to keep their workers on the payroll

- SBA – ECONOMIC INJURY DISASTER LOANS (EIDL) AND ADVANCES**
 - Low-interest federal loans to provide working capital to small businesses and nonprofits
 - Provide an emergency advance of **up to \$10,000** within three days of applying, which does not have to be repaid

- IRS – PAID LEAVE TAX CREDITS**
 - Tax credits to cover certain costs of providing employees with required paid sick leave and expanded family and medical leave for reasons related to COVID-19

- IRS – EMPLOYEE RETENTION TAX CREDITS**
 - Refundable tax credit of 50% of **up to \$10,000** in wages paid by an eligible employer whose business has been financially impacted by COVID-19

- LED – LOAN PORTFOLIO GUARANTEE PROGRAM (LPGP)**
 - State program that will offer loans of **up to \$100,000** to Texas small businesses of fewer than 100 employees that are impacted by the COVID-19 crisis

Information is changing rapidly and subject to change.

Please consult with your banking, accounting, or tax professionals for guidance specific to your unique business needs.

PREPARED BY:

THE NEDERLAND ECONOMIC DEVELOPMENT CORPORATION

PAYCHECK PROTECTION PROGRAM GUIDE



The Coronavirus Aid, Relief, and Economic Security (CARES) Act, enacted on March 27, 2020, includes a key provision – the **Paycheck Protection Program** – that expands the U.S. Small Business Administration’s (SBA) existing 7(a) loan program. The program provides **\$349 billion** for small businesses to cover near-term operating expenses and keep their employees.

WHO IS ELIGIBLE FOR THE PAYCHECK PROTECTION PROGRAM?

The Paycheck Protection Program is available to small businesses, 501(c)(3)s, Tribal businesses, and veterans organizations that:

- Have less than 500 employees or are self-employed individuals (sole proprietors or independent contractors)
- Were in business on February 15, 2020
- Paid payroll taxes on employees or paid independent contractors

Also eligible are accommodation and food service businesses (NAICS Code 72) with 500 or fewer employees per location.

Businesses in certain industries with more than 500 employees may be eligible if they meet applicable SBA size standards for those industries.

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THE INFORMATION CONTAINED HEREIN IS AS OF APRIL 3, 2020 AND SUBJECT TO CHANGE.

HOW DOES THE PAYCHECK PROTECTION PROGRAM WORK?

- Eligible entities can apply for loans made directly by participating institutions
- The covered loan period is February 15, 2020 - June 30, 2020
- Loans can be used for:
 - Payroll costs, consisting of compensation to employees, including: salaries/wages; paid vacation, parental, family, medical, or sick leave; allowance for dismissal or separation; group health care benefits; retirement; and payment of state and local taxes assessed on the compensation of employees; and for an independent contractor or sole proprietor, wages, commissions, income, or net earnings from self-employment or similar compensation
 - Interest on mortgage obligations
 - Rent / lease payments
 - Utilities
 - Interest on existing debt
- No personal/individual guarantees required; SBA guarantees 100% of the loan
- Borrowers must provide good faith certification that the loan is necessary because of economic uncertainty caused by COVID-19 and will be applied to allowable uses

LOAN FORGIVENESS:

- The following expenses will be forgiven* during the 8-week period after the loan is originated: payroll and benefit costs, rent, utilities, and payments on interest of a mortgage obligation
- For salaries above \$100,000, expenses above that cap are not eligible for forgiveness
- Forgiveness is proportionally reduced for entities that have already laid-off employees (e.g., if an entity laid-off 25% of their employees, the forgiveness would be reduced to 75%) – entities can remediate this penalty by rehiring employees prior to June 30
- Forgiveness amount can be up to the full principal amount of the loan and any accrued interest

***At least 75% of the forgiven amount must be used for payroll costs.**

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WHAT ARE THE LOAN AMOUNTS, TERMS, AND INTEREST RATES?

Loan amounts are calculated using the average total monthly payments for payroll costs over the last 12 months – that monthly average is multiplied by 2.5 to determine the maximum loan amount. Loan amounts are capped at \$10 million. Terms are the same for everyone – interest rates will be 1%, loan payments are deferred for 6 months (interest will accrue during the deferment period), and loans must be repaid within 2 years.

HOW DO YOU APPLY FOR THE PAYCHECK PROTECTION PROGRAM?

You can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, or Farm Credit System institution that is participating. Other regulated lenders will be available to make these loans once they are approved and enrolled in the program. You should consult with your local lender as to whether it is participating. All loans will have the same terms regardless of lender or borrower. A list of participating lenders as well as additional information and full terms can be found at <https://www.sba.gov/paycheckprotection/find>.

- Small businesses and sole proprietorships can apply for and receive loans starting **April 3, 2020**
- Independent contractors and self-employed individuals can apply for and receive loans starting **April 10, 2020**

Note: Businesses can apply for and receive loans from both the Paycheck Protection Program and the Economic Injury Disaster Loan (EIDL); however, funds cannot be used for the same purpose.

ECONOMIC INJURY DISASTER LOANS GUIDE



The U.S. Small Business Administration (SBA) recently approved Texas request for an **Economic Injury Disaster Loan (EIDL)** declaration, unlocking low-interest federal disaster loans for working capital to help small businesses cover their operating expenses.

WHO IS ELIGIBLE FOR AN EIDL?

In general, all of the following entities that have suffered substantial economic injury caused by the disaster (COVID-19), provided they were in existence on January 31, 2020:

- Businesses with fewer than 500 employees
- Sole proprietors
- Independent contractors
- Most private nonprofits
- Businesses that have more than 500 employees, provided they meet applicable SBA employee-based size standards for their industry, which can be found [here](#)

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HOW DOES THE ECONOMIC INJURY DISASTER LOAN (EIDL) WORK?

Eligible entities can apply for loans through the SBA at covid19relief.sba.gov. Funds come from the U.S. Treasury.

- EIDL funds can only be used for:
 - Fixed debt payments
 - Payroll costs
 - Accounts payable
 - Other bills that could have been paid had the disaster not occurred
- Loans are not intended to replace lost sales or profits or for expansion and cannot be used to refinance long-term debts
- SBA will review credit history and applicants must show ability to repay the loan
- Applicants can also apply for an EIDL advance of **up to \$10,000**, which would be made available in 72 hours and does not have to be repaid*
- Application deadline is December 31, 2020

*EIDL EMERGENCY ADVANCE

When you apply for an EIDL, you can request an emergency advance of **up to \$10,000**. The SBA will provide the advance within 3 days of receiving your application. You will not have to repay the advance, even if your application for a loan is denied.

Applicants who filed prior to availability of the advance are encouraged to reapply using SBA's new, streamlined application, located [here](#).

Note: Businesses can apply for and receive loans from both the Paycheck Protection Program and the Economic Injury Disaster Loan (EIDL); however, funds cannot be used for the same purpose.

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WHAT ARE THE LOAN AMOUNTS, TERMS, AND INTEREST RATES?

Loan amounts and terms are determined on a case-by-case basis, based on each applicant's financial condition and the economic injury determined by the SBA, with a maximum loan maturity of up to 30 years. Loans are capped at \$2 million. Interest rates are 3.75% for small businesses and 2.75% for non-profit organizations.

HOW DO YOU APPLY FOR AN EIDL?

To apply, visit:
COVID19RELIEF.SBA.GOV

WHO DO I CONTACT IF I HAVE QUESTIONS?

For additional information on EIDLs, contact the SBA disaster assistance customer service center at
1-800-659-2955 or
DISASTERCUSTOMERSERVICE@SBA.GOV

COVID-19 PAID LEAVE TAX CREDITS

The Families First Coronavirus Response Act (the “FFCRA”), signed by President Trump on March 18, 2020, provides small and midsize employers refundable tax credits that reimburse them, dollar-for-dollar, for the cost of providing paid sick and family leave wages to their employees for leave related to COVID-19.

WHAT TAX CREDITS DOES THE FFCRA PROVIDE?

The FFCRA provides businesses with tax credits to cover certain costs of providing employees with required paid sick leave and expanded family and medical leave for reasons related to COVID-19, from April 1, 2020, through December 31, 2020.

WHEN CAN EMPLOYERS START CLAIMING THE CREDIT?

Eligible Employers may claim tax credits for qualified leave wages paid to employees on leave due to paid sick leave or expanded family and medical leave for reasons related to COVID-19 for leave taken beginning on April 1, 2020, and ending on December 31, 2020.

Eligible Employers will claim the credits on their federal employment tax returns (e.g., Form 941, Employer’s Quarterly Federal Tax Return), but they can benefit more quickly from the credits by reducing their federal employment tax deposits. If there are insufficient federal employment taxes to cover the amount of the credits, an Eligible Employer may request an advance payment of the credits from the IRS by submitting a [Form 7200, Advance Payment of Employer Credits Due to COVID-19](#).

The IRS expects to begin processing these requests during April 2020.

For more information, view the IRS’s detailed FAQs at [this link](#).

The Internal Revenue Service will issue further guidance and manage the FFCRA tax credit process. Please contact the IRS with specific questions.

GUIDE TO THE EMPLOYEE RETENTION TAX CREDIT FOR COVID-19 IMPACTED EMPLOYERS

The Coronavirus Aid, Relief, and Economic Security (CARES) Act created a new employee retention tax credit for employers who are closed, partially closed, or experiencing significant revenue losses as a result of COVID-19.

WHO IS ELIGIBLE?

Private employers, including non-profits, carrying on a trade or business in 2020 that:

- Have operations partially or fully suspended as a result of orders from a governmental authority due to COVID-19, or
- Experience a decline in gross receipts by more than 50% in a quarter compared to the same quarter in 2019 (eligibility ends when gross receipts in a quarter exceed 80% compared to the same 2019 quarter)

With respect to tax-exempt organizations under 501 (c)of the tax code, the requirement to be partially or fully suspended applies to all operations of the organization.

Employers who receive a Paycheck Protection Program (PPP) loan are not eligible for a tax credit.

HOW MUCH IS THE TAX CREDIT?

This new employee retention tax credit is a 50% tax credit for the first \$10,000 of compensation, including the employer portion of health benefits, for each eligible employee.

- Compensation does not include paid sick or family leave for which the employer is reimbursed under the Families First Coronavirus Response Act
- The credit only applies to wages paid after March 12, 2020 and before January 1, 2021

WHICH EMPLOYEES COUNT TOWARD ELIGIBILITY?

- For employers with more than 100 employees: Full-time employees who are (i) being paid but (ii) not providing service due to either a full or partial shutdown or a reduction in gross receipts count toward eligibility
- For employers with 100 or fewer full-time employees: All employees, regardless of whether those employees are providing service, count toward eligibility
- Employers may not claim the same employee for this credit and the Work Opportunity Tax Credit for the same period. In addition, employers may not claim the same wages for an employee under this credit and also under the employer credit in section 45S for FMLA

HOW IS THE CREDIT PAID?

The refundable credit is applied against the employer portion of payroll taxes. The Treasury Department will develop a process for employers to receive an advance payment of the tax credit.

The Internal Revenue Service will issue further guidance and manage the ERTC process. Please contact the IRS with specific questions.



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Comparison

OVERVIEW	EIDL	EIDL ADVANCE	PPP
Lender	SBA	SBA	SBA 7(a) Approved Lender
Maximum Loan Amount	\$2MM	Advance of up to \$10,000	2.5x average monthly payroll costs capped at \$100K per employee, maximum of \$10MM per borrower
Application Deadline	December 31, 2020	December 31, 2020	June 30, 2020
Eligible Borrowers	Businesses that meet the SBA size standards	<ul style="list-style-type: none"> - 500 or fewer employees - Sole proprietorship (with or without employees or as independent contractors) - Cooperative of 500 or fewer employees - ESOP (500 or fewer employees) - Tribal small business concern (500 or fewer employees) 	<p>Businesses with <500 employees</p> <p>Businesses in NAICS 72 with <500 employees per individual location.</p>
Use of Proceeds*	<ul style="list-style-type: none"> - Payroll - Rent - Utilities - Interest on debt occurred - Accounts payable - Some bills that could have been paid had the disaster not occurred 	<ul style="list-style-type: none"> - Payroll - Rent - Utilities - Interest on debt occurred - Accounts payable - Some bills that could have been paid had the disaster not occurred 	<ul style="list-style-type: none"> - Payroll - Interest on mortgage payments (principal or prepayments excluded) - Rent - Utilities - Interest on any debt incurred prior to Feb. 15, 2020
Collateral	No collateral for loan amounts up to \$25,000	N/A	Waived
Personal Guarantee	No personal guarantee for loan amounts up to \$200,000	N/A	Waived
Affiliation	Applicable	Waived	Applicable
No Credit Elsewhere	Waived	Waived	Waived
Forgiveable	No	Yes	Yes, up to 100%. Forgiveness of indebtedness of an amount equal to the sum of the qualified costs incurred and payments made during the covered period (8-week period following loan origination). Forgiveness portion may be reduced by a reduction in retained employees or reduction in pay of retained employees.
Interest	3.75%	N/A	Up to 4% for non-forgiven portion Currently fixed at 0.5%
Term	Up to 30 Years	N/A	Up to 10 years for non-forgiven portion Currently 2 years
Prepayment Penalty	None	N/A	None



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