GBS Compliance

CARES Act Small Business Loans Eligibility and Other Requirements

April 2, 2020

The CARES Act is a result of a $2 trillion stimulus bill passed by Congress and signed into law March 27, 2020. It is intended to provide help for struggling families and businesses, and health care workers on the front lines of the coronavirus outbreak. It combines tax provisions and other stimulus measures, and for companies, one of the provisions provides forgivable loans to employers with less than 500 employees. To meet general eligibility requirements, small employers:

- Must have less than 500 employees or meet NAICS Size Standards
- Must have had business operating on 2/15/2020.
- Must certify that loan is necessary to support ongoing operations, and funds will be used for eligible costs.
- Must certify that it has not obtained, and has application pending, for an SBA loan for the same costs.
- Must have employees or contract workers receiving a salary/wages.

On March 31, 2020, the U.S. Small Business Administration provided additional clarification and resources for the associated Paycheck Protection Program, including a sample application and borrower and lender fact sheets. Regulations in the near future are expected.

Additional notable clarifications:

- The interest rate will be 0.50% fixed (original language states up to 4%)
- The term of the loan will be 2 years (original language states up to 10 years)
- To calculate how much of the loan can be forgiven:
    - Payroll costs must constitute at least 75% of the forgiven amount
    - Non-payroll costs (qualifying mortgage interest, utility costs, and rent) may constitute no more than 25% of the forgiven amount
- Payroll costs are capped at $100,000 for each employee (original language was unclear)
- Starting April 3, 2020, small businesses/sole proprietorships may apply for loans
- Starting April 10, 2020, independent contractors/self-employed individuals may apply for loans

Additional Resources

- SBA's Standard Operating Procedures document
- Borrower Fact Sheet
- Lender Fact Sheet
- Sample Loan Application

This article is for informational purposes only; we are unable to advise on these topics as they are outside the scope of our expertise. We encourage you to follow the IRS Coronavirus Tax Relief page and the SBA Coronavirus Loan Resources page, as well as consult with your tax professional or financial advisor. Detailed guidance on how to access these financial resources should be coming soon from those sources. If you're interested in applying for funding, please reach out to your preferred financial institution.

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