GBS Compliance

CARES Act Provides COVID-19 Emergency Loans for Small Employers

March 30, 2020

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.

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, other stimulus measures, and, for companies with less than 500 employees, emergency grants and forgivable loans. There are also changes to rules for expenses and deductions meant to make it easier for companies to keep employees on the payroll and stay open in the near-term.

Loans and Tax Credit Available to Small Businesses

The CARES Act creates a $367 billion federally guaranteed loan programs for small businesses that employ 500 or fewer people who must pledge not to lay off their workers. The loans will be available during an emergency period ending June 30, 2020 and would be forgiven if the business uses the loan funds for approved purposes and maintains the average size of its full-time workforce, based on when it received the loan.

Additionally, small businesses forced to suspend operations or that have seen gross receipts fall by 50% from the previous year, will be eligible for a tax credit worth up to 50% of wages paid during the crisis, so long as they keep their workers employed through the crisis. Wages remain eligible until business is no longer suspended or gross receipts for a quarter reach 80% of the prior year. The credit could be applied to all wages for employers with fewer than 100 employees, while the benefit is capped at $10,000 in wages per employee for larger employers.

How can I obtain a *COVID-19 Economic Injury Disaster* small business loan from the government?

The U.S. Small Business Administration (SBA) is offering loans for qualifying small businesses. These are low-interest (3.75% for small businesses and 2.75% for nonprofits) loans with terms potentially as long as 30 years. You can apply for an SBA loan through its website found here https://www.sba.gov/funding-programs/disaster-assistance and here https://www.sba.gov/page/disaster-loan-applications.

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Be prepared to provide the following information:

- Tax Information Authorization (IRS Form 4506T), completed and signed by each principal or owner
- Recent federal income tax returns
- Personal Financial Statement (SBA Form 413)
- Schedule of Liabilities listing all fixed debts (SBA Form 2202)

You may also need to provide profit and loss statements, recent tax returns and balance sheets. After you apply, the SBA will review your credit before conducting its own inspection to verify your losses. The SBA says its goal is to arrive at a decision on any disaster loans within two to three weeks. If it determines you are eligible, it will send you a loan closing document for your signature.

The information is provided as educational material only and is not intended as legal, financial or tax advice. Consult your legal counsel for complete details on your compliance requirements for your plan(s).

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