

BUSINESS CONTINUITY RESOURCES: HOW TO KEEP YOUR OPERATION RUNNING

The COVID-19 crisis has upended businesses in every industry sector, resulting in unprecedented loss of income with small businesses struggling to survive and looking for relief to sustain operations and keep workers employed. We've provided you with information on various programs available to help get you through this financially challenging time.



Overview:

Support for Businesses

From remote work to loss of business, employee layoffs and furloughs, everything has changed quickly amid the COVID-19 pandemic. To help employers get financial help to keep their operations running and employees on the job, Congress passed a \$2.2 trillion economic stimulus package that includes assistance for small businesses, including SBA-backed loans.

We've provided you with helpful information on these SBA-backed loans along with other resources available to help your business gain access to the financial support being made available.



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Small Business Loans: Paycheck Protection Program

The Coronavirus Aid, Relief and Economic Security Act (CARES) Act allocated \$349 billion to enable small businesses to keep workers on payroll. It begins with the Small Business Association's (SBA) **Paycheck Protection Program (PPP)**, a federal initiative that provides special loans to small businesses in need, which will be available beginning April 3 through June 30, 2020.

Currently, the SBA guarantees loans that are given out by a network of more than 800 lenders across the U.S.

You can take advantage of PPP if your business meets one of the following criteria:

- Has fewer than 500 employees, including full-time, part-time and other status
- Is a 501(c)(3) non-profit with fewer than 500 employees
- You are an individual who operates as a sole proprietor or independent contractor
- Veteran organizations
- Tribal organizations

Small businesses in the hospitality and food industry with more than one location could also be eligible at the store and location level if the store employs fewer than 500 workers. This means each store location could be eligible.

Where and when can I apply?

The loans will be available at all federally insured banks and credit unions, along with other lenders already approved for processing SBA-guaranteed loans. **Small businesses and sole proprietorships** can start applying **April 3**. **Independent contractors and self-employed individuals** can begin applying **April 10**.



Paycheck Protection Program At A Glance

Borrow up to \$10 million

Term: 2 years

Interest Rate: 1%

No Guarantee Fees/Prepayment

Penalty/Collateral Needed

Loan may be forgiven and/or deferred

No "Credit Elsewhere" Requirements

How much can I borrow?

The loans can be for as much as two months of your average monthly payroll costs from the past year, plus an additional 25% of that amount. **The loan amount is capped at \$10 million.** The loan has a maturity of two years and an interest rate of 1%.

What can the funds be used for?

The Paycheck Protection Program loan can cover expenses incurred between February 15, 2020 and June 30, 2020, including:

- Payroll
- Group Health Benefits
- Salary and Employee Commissions
- Interest on Mortgages
- Rent
- Utilities
- Interest on Debt

Eligible payroll costs include:

- Salary, wage, commission, or similar compensation
- Payment of cash tip or equivalent
- Payment for vacation, parental, family, medical, or sick leave
- Allowance for dismissal or separation
- Payment required for the provision of group health care benefits, including insurance premiums
- Payment of any retirement benefit
- Payment of state or local tax assessed on the compensation of employees
- The sum of payments of any compensation to or income of a sole proprietor or independent contractor that is a wage, commission, income, net earnings from self-employment, or similar compensation and is an amount that is not more than \$100,000 in 1 year, as prorated for the covered period

Can the loans be forgiven?

As much as 100% of the loan amounts are forgivable if the proceeds are used to cover the first eight weeks of payroll costs, rent, utilities and mortgage interest. The government anticipates no more than 25% of the forgiven amount may be for non-payroll costs. Payroll costs are capped at \$100,000 a year for each employee.

NOTE: The amount of loan forgiveness can be lower if there is a reduction in the number of employees or a reduction of greater than 25% in wages paid to employees.



What if I've already laid off my employees?

The loans are available retroactively from February 15, so employers can rehire recently laid-off employees until June 30. If you reduce the number of employees or their pay compared with the February 15 levels, the amount of loan forgiveness will decrease accordingly.

Is it difficult to qualify for a loan?

The loans are funded—at least initially—by lenders, that will use their own systems to determine who qualifies. You will need to submit documentation to the lender that shows your payroll information, including the payment of salaries and payroll taxes as well as the dollar amount of your average monthly payroll costs.



To expedite the application process, compile the following documents:

- Year-to-date 2019 payroll, along with payroll for the previous 12-month period (This includes total 1099 employees or independent contractors during 2019 as well.)
- Health insurance premiums paid by you (the business owner) for a group health plan during 2019.
- Retirement plan contributions paid to your employees.

Here is a sample [SBA loan application](#) to get a feel for the type of information that will be requested from you. In addition, we've provided you with an SBA PPP Loan Amount Worksheet (Excel® file) [here](#) to help you calculate the amount of money you would be qualified to receive. (This worksheet was acquired from Pacific Enterprise Bank, Irvine, CA.) NOTE: The government will only recognize up to \$10,000 per month (including wages, benefits, medical leave, etc.) for business owners and highly compensated employees.

Other SBA Assistance

The SBA is accepting applications for another loan program called the [Economic Injury Disaster Loan \(EIDL\) Program](#), which received \$7 billion tied to the coronavirus. The program offers loans of as much as \$2 million to cover the operating costs of businesses, including payroll, bill payments and costs associated with fixed debts.

These loans, **provided directly from the SBA**, carry an interest rate of 3.75% for small businesses, and as much as \$10,000 of the loan amount is forgivable. The SBA offers a loan advance of as much as \$10,000 for eligible applicants for the EIDL loans, including those who might later be rejected for the loans.

Businesses can apply for both payroll protection and disaster loans; however, the funds from each program may not be used for the same purposes. Borrowers who are approved for both payroll and disaster loans can roll their disaster loans into their payroll loans, which potentially allows for larger amounts of loan forgiveness.

SBA Express Bridge Loans

The SBA also offers **express bridge loans** for businesses negatively impacted by the COVID-19 pandemic. This is an expansion of a program launched in 2017. These loans, for up to \$25,000, are to help small businesses get through a presidential-declared disaster. Loans for the COVID-19 pandemic can be made through March 13, 2021. The maximum term of the loan is seven years. These loans can be used as a stop-gap while you wait for a larger Economic Injury Disaster Loan. Then you can use an EIDL to repay the express bridge loan in full or in part. Local banks and lenders offer these loans, or the SBA can help you find a lender.

For more information about on the different types of federal relief available, visit the [SBA](#) and the [Treasury Department](#).

Paid Sick Leave Extended

Effective April 1, 2020, employers with fewer than 500 employees are subject to the provisions of the Families First Coronavirus Response Act (FFCRA), which includes the Emergency Paid Sick Leave Act and the Emergency Family and Medical Leave Expansion Act (FMLA).

Emergency Paid Sick Leave Act

Requires employers to pay employees their regular rate of pay up to 80 hours over a two-week period if they are unable to work or telework due to a need for leave because they:

- Are subject to a Federal, State, or local quarantine or isolation order related to COVID-19;
- Have been advised by a health care provider to self-quarantine due to concerns related to COVID-19; or
- Are experiencing symptoms of COVID-19 and are seeking medical diagnosis.



Emergency FMLA

Requires employers to pay employees two-thirds of their regular rate of pay if they are unable to work or telework due to a need for leave because they:

- Are caring for an individual who is subject to a Federal, State, or local quarantine or isolation order related to COVID-19 or an individual who has been advised by a health care provider to self-quarantine due to concerns related to COVID-19;
- Are caring for a child whose school or place of care is closed, or whose child-care provider is unavailable, due to COVID-19 related reasons; or
- Are experiencing any other substantially similar condition that may arise, as specified by the Secretary of Health and Human Services.

How do I calculate payments for full-time employees?

Employees who are eligible for Emergency Paid Sick Leave under the FFCRA due to their own symptoms or quarantine orders due to COVID-19 are entitled to the greater of:

- Regular rate of pay per applicable hour
- Federal minimum wage in effect under the FLSA per applicable hour, or
- Applicable state or local minimum wage per applicable hour

These payments are subject to a maximum of \$511 per day, or \$5,110 total over the entire paid sick leave period, which is capped at 80 hours under the FFCRA.

Employees who are eligible for extended FMLA leave due to childcare needs resulting from COVID-19 are entitled to no less than two-thirds of their regular rate of pay for the hours they would normally be scheduled to work. This rate of pay must be at or above the federal minimum wage or applicable state or local minimum wage. These payments are capped at \$200 per day or \$10,000 for 10 weeks and kick in after an initial 10 days of leave, during which time the employee can use vacation, sick or other paid time off.



When calculating “regular rate of pay,” use the average over a period of six months prior to the date of leave. If the employee has not worked for you for six months, use the average of the regular rate of pay for each week he or she has worked for you.

How do I calculate payments for part-time employees?

Under the FFCRA, part-time employees are eligible for two weeks of leave equal to the amount of the average number of hours worked in a two-week period. If the part-time employee's schedule varies, use a six-month average.

Which employees are eligible for leave?

The benefits under the FFCRA only apply to active employees impacted by COVID-19 in the specific ways outlined above and to paid sick or FMLA leave taken between **April 1 and December 31, 2020**.

Can eligible employees utilize more than one type of leave?

Pre-existing leave entitlements provided by the employer cannot be taken concurrently with the expanded leave provisions of the FFCRA.

However, an employee can combine the Emergency Paid Sick Leave to pay for the first two weeks of leave with the Emergency FMLA leave for the following ten weeks to get paid for a full twelve weeks covered for a maximum total of \$12,000. The employee would need to be eligible under the requirements of both leave programs.

Are there any exemptions from the law?

If your business has fewer than 50 employees, you may be able to apply for an exemption from the Secretary of Labor if providing either of the types of paid leave could “jeopardize the viability” of the business.

Employer Tax Credits

The law provides employers with fewer than 500 employees with refundable payroll tax credits to cover the cost of providing the paid sick leave and the paid FMLA leave to their employees:

- Employers will receive 100% tax credit against their payroll tax liability up to the capped amount of benefits they must pay.
- Health insurance costs are also included in the credit.
- Self-employed individuals receive an equivalent credit.
- If an employer is owed more than the capped amount and a refund is owed, the IRS will send the refund as quickly as possible.
- Reimbursement will be quick and easy to obtain.

For more information on the FFCRA, please visit the Department of Labor [website](#).

Coronavirus State-Relief Programs for Small Businesses

Many states have also created their own initiatives to help small business owners in the wake of COVID-19. Some are comprised of industry-specific relief programs to help a struggling sector, such as restaurants and hospitality, in a particular state, or micro-loans made available to businesses according to their size.

You can find a list of state and city relief programs available here:

- [List of Coronavirus \(COVID-19\) Small Business Relief Programs](#)
- [Financial Assistance Tracker for Businesses](#)
- [Coronavirus Relief for Businesses](#)



Insurance Coverage

Whether insurance coverages – from Business Interruption to Workers Compensation and other policies – will come into play to cover coronavirus-related claims is a complex area in this COVID-19 environment. Many trade groups and businesses, including the Property & Casualty insurance industry, are supporting a new federal relief fund for businesses and workers affected by the coronavirus. This proposed relief vehicle, the COVID-19 Business and Employee Continuity and Recovery Fund, is designed to help businesses retain and rehire employees, maintain worker benefits and help cover operating expenses such as rent. It may also provide funds for payroll, lost income of sick employees, and lost business revenues but not profits.

We will keep you updated as to the progress related to this proposal.

Conclusion

Small businesses are crucial to our nation's economy, employing 58.9 million people in the United States, or about 47.5% of the total private sector workforce. Providing relief to small businesses throughout our country is vital in helping them weather the pandemic sweeping our country. This means giving you the ability to secure liquidity, have access to capital, and encouraging you to continue to engage with our policymakers for the resources and funding needed to move forward successfully.

Sources: SBA, WSJ, DOL, Grassi Advisors & Accountants, Chamber of Commerce, Harvard Business Review



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