



## **H.R. 748 CARES Act: Small Business Support for COVID-19**

The following summary prepared by the Community Oncology Alliance (COA) is provided to community oncology practices that may be eligible, in some respects, for small business support under the CARES stimulus bill.

### **Section 1102: Paycheck Protection Program**

#### **Overview:**

- This legislation calls for \$349 billion for the Small Business Administration (SBA) to guarantee loans to small businesses.
- The loan money will be distributed using the existing framework of the Small Business Administration's 7(a) program. This program is a partnership between private financial lenders, which issue the loans, and the SBA, which guarantees them.
- Potential recipients must apply for a loan in the covered period, which begins on February 15, 2020 and ends on June 30, 2020.
- Loan amounts are calculated by taking 250% of the business's average monthly payroll costs during the one-year period before the loan is made.
- Eligible recipients could receive loans for as much as \$10 million, and interest rates during the covered period would be capped at 4%.
- Loans should be used for the following expenses:
  - Payroll costs
  - Costs related to the continuation of group health care benefits during periods of paid sick, medical or family leave, and insurance premiums
  - Employee salaries, commissions, or similar compensations
  - Payments of interest on any mortgage obligation (which shall not include any prepayment of or payment of principal on a mortgage obligation)
  - Rent (including rent under a lease agreement)
  - Utilities
  - Interest on any other debt obligations that were incurred before the covered period.
- Businesses cannot use the funds to compensate individual employees at an annual rate above \$100,000 or to pay for emergency sick or family leave under the second coronavirus response package.

#### **Eligibility:**

- Businesses and non-profits eligible for a loan must have under 500 employees.
- Sole proprietors and independent contractors are eligible, given they provide proper 1099-MISC documentation.
- Hotel and food service chains with 500 or fewer employees per location are eligible.
- Businesses must be able to prove that they were operating with salaried employees or paid contractors as of February 15, 2020.
- The SBA would have to assume that eligible loan applicants that were in operation as of February 15, 2020 were adversely affected by COVID-19 and require lenders to let them defer payments for six months to a year.

**Loan Forgiveness:**

- Recipients of SBA-guaranteed loans that retain their workers or rehire ones that were laid off can be eligible for loan forgiveness.
- Certain costs including payroll, rent payment, mortgage obligations, and utilities that are incurred during an eight-week period starting on the loan's origination date, are eligible for forgiveness.
- The amount of loan forgiveness will take into account the number of workers retained or rehired. Businesses could receive additional forgiveness for wages paid to tipped employees.
- In order to receive loan forgiveness, applicants must verify the previous six weeks of payroll and later verify that they have paid employees for eight weeks after receiving the loan.
- Canceled debt would be excluded from borrowers' gross income for tax purposes.
- The SBA has announced that it is deferring payments for its existing economic disaster loan program automatically to December 31, 2020.

**How To:**

- Since the SBA guarantees the loans, borrowers will need to apply through banks, credit unions, and other lenders.
- Approximately 1,800 private lenders are already approved to issue 7(a) loans; however, the department plans to issue new regulations that will make it possible for almost all FDIC-insured banks to make SBA loans.
- The best way to begin is to approach your bank or lender and inquire about applying for a 7(a) small business loan for the purposes of COVID-19 relief. If your lender doesn't offer it, try another.
- Subsequently, further grants will be given to states that enact short-time compensation programs, so check any state-run small business agency for other potential programs.
- For more detailed information, including application forms, [go here](#) to the U.S. Department of the Treasury.

**Section 2301: Employee Retention Credits****Overview:**

- Section 2301 outlines a refundable payroll tax credit for 50% of wages paid by employers to employees during the COVID-19 crisis.
- The credit is based on qualified wages paid to the employee.
- The bill specifically states that there shall be allowed a credit against applicable employment taxes for each calendar quarter in an amount equal to 50% of the qualified wages with respect to each employee of such employer for such calendar quarter.
- For employers with greater than 100 full-time employees, qualified wages are wages paid to employees when they are not providing services due to the COVID-19-related circumstances.
- For eligible employers with 100 or fewer full-time employees, all employee wages qualify for the credit, whether the employer is open for business or subject to a shutdown order.
- The credit is provided for the first \$10,000 of compensation, including health benefits, paid to an eligible employee.
- The credit is provided for wages paid or incurred from March 13, 2020 through December 31, 2020.

**Eligibility:**

- The credit is available to employers whose operations were fully or partially suspended, due to a COVID-19 related shutdown order, or gross receipts declined by more than 50% when compared to the same quarter in the prior year.
- Employers that apply for small-business loans would not be eligible to receive the credit.

- The credit wouldn't apply to federal, state, or local government employers.

### **Section 2302: Payroll Tax Relief**

#### **Overview:**

- Section 2302 of the bill allows employers and self-employed individuals to defer payment of the employer share of the Social Security tax they otherwise are responsible for paying to the federal government with respect to their employees.
- Employers could delay paying payroll taxes for 2020, then pay 50% in 2021 and the other 50% in 2022.

#### **Eligibility:**

- All employers who pay FICA taxes on behalf of their employees.
- The payroll-tax deferral wouldn't apply to employers with small business loan debt forgiven under the bill.

### **SBA Economic Injury Disaster Loan Program (Existing Program):**

#### **Overview:**

- This legislation would provide \$10 billion to expand the SBA's existing disaster loan program from January 31, 2020 through December 31, 2020.
- SBA's Economic Injury Disaster Loans may be applicable for companies who need smaller loans as they only offer up to \$2 million in assistance and can provide economic support to small businesses to help overcome the temporary loss of revenue they are experiencing.
- These loans may be used to pay fixed debts, payroll, accounts payable, and other bills that can't be paid because of the disaster's impact.
- The interest rate is 3.75% for small businesses. The interest rate for non-profits is 2.75%.
- SBA offers loans with long-term repayments in order to keep payments affordable, up to a maximum of 30 years. Terms are determined on a case-by-case basis, based upon each borrower's ability to repay.
- The measure also would authorize the SBA to advance as much as \$10,000 to existing and newly eligible disaster loan recipients within three days of receiving their applications. Recipients could use the advance funds to pay sick leave to employees affected by COVID-19, retain employees, address interrupted supply chains, make rent or mortgage payments, and repay debt. They wouldn't have to repay the advance funds.
- If you are already a participant in the SBA's existing economic disaster loan program, the SBA has announced that it is automatically deferring payments to December 31, 2020.

#### **Eligibility:**

- Businesses, non-profits, cooperatives, employee stock ownership plans, and tribal businesses with 500 or fewer employees.
- Sole proprietors and independent contractors are eligible for these loans.
- In order to qualify for an SBA Economic Injury Disaster Loan, a business must prove substantial economic injury that it is unable to pay its ordinary and necessary operating expenses.

#### **How to:**

- Small business owners in all U.S. states and territories are currently eligible to apply for a low-interest loan due to Coronavirus (COVID-19). [Click here to apply.](#)
- Listed below are forms and materials that are needed when submitting your application:
  - Employee Identification Number
  - The date of establishment
  - Number of years under current management

- Names and addresses of contacts for Loss Verification Inspection
- Personal information including birth dates, Social Security numbers, phone numbers and ownership percentages for each of the business' owners
- Additional information will need to be provided if any of the business' owners own more than a 50% stake in a different business
- Personal financial statements will need to be completed for each owner
- The value of cash, receivables, personal property
- The amount of debts
- The amount of liabilities that you are contingently liable for (i.e., what is the dollar value of loans that you guarantee)

### **SBA Express Bridge Loans (Existing Program):**

#### **Overview:**

- Express Bridge Loan Pilot Program allows certain small businesses access to up to \$25,000 with less paperwork.
- These loans can provide economic support to small businesses to help overcome the temporary loss of revenue they are experiencing and can be a term loan or used to bridge the gap while applying for a direct SBA Economic Injury Disaster Loan.

#### **Eligibility:**

- Small businesses who currently have a business relationship with an SBA Express Lender.
- Small businesses that have an urgent need for cash while waiting for decision and disbursement on Economic Injury Disaster Loan may qualify for an SBA Express Disaster Bridge Loan.

#### **How to:**

- To apply for an SBA Express Bridge Loan, click [here](#) and follow the instructions listed on the website.