





COVID-19 Resources

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Federal Aid and the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act")





CARES Act Programs

- Overview**
- ▶ The CARES Act is a \$2 trillion stimulus package that became law on March 26, 2020.
 - ▶ The CARES Act includes an allocation of \$377 billion specifically for small businesses, consisting of forgivable loans, emergency grants, and relief from existing SBA loan.
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- CARES Act Programs**
- ▶ Paycheck Protection Program Loans which are forgivable under certain circumstances.
 - ▶ Economic Injury Disaster Loans which provide immediate \$10,000 grants within 3 days of application.
 - ▶ Debt relief for businesses that have non-disaster SBA loans.
 - ▶ Expanded small business counseling.
 - Renaissance Women's Business Center
 - San Francisco SBA District Office
 - San Francisco SCORE
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Paycheck Protection Program and Other Available Loan Relief



PPP – Overview

- ▶ All small businesses are eligible.
 - ▶ PPP loans have a maturity rate of 2 years and an interest rate of 1%.
 - ▶ No need to make loan payments for the first 6 months.
 - ▶ No collateral or personal guarantees required.
 - ▶ No origination or management fees.
 - ▶ PPP loan covers expenses for 8 weeks starting from the loan origination date.
 - ▶ PPP loans can be forgiven and essentially turned into a non-taxable grant.
 - ▶ PPP loans are not made by the government, rather they are made by 7A /SBA lender, although that pool is being expanded.
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PPP – Eligibility

- ▶ Businesses, and non-profits (501(c)(3)), with fewer than 500 employees.
 - ▶ Business must have been in operation on, or before, February 15, 2020.
 - ▶ Independent contractors, sole proprietors, and self-employed individuals are eligible to apply for loans. Will need to submit a Schedule C, Form 1099-MISC, or payroll tax filings as applicable.
 - ▶ SBA Affiliation Rules
 - Typically not a concern for small businesses or small non-profits
 - If your business/non-profit is controlled, has power to control another business, you may need to count that business'/party's employee in determining whether your business has under 500 employees.
 - Three Exceptions
 - Restaurants and hospitality businesses can count employees by location
 - Franchises can be counted by individual business
 - Businesses that have received Small Business Investment Company funding
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PPP – Loan Size Determination

- ▶ Max loan is equal to 2.5x your average monthly payroll over the last 12 months.
 - ▶ To calculate you use the following steps.
 - **Step 1:** Aggregate payroll costs from each of the last 12 months for employees whose principal place of residence is the United States.
 - **Step 2:** Subtract any compensation paid to an employee, independent contractor, or sole proprietor, in excess of an annual salary of \$100,000.
 - **Step 3:** Calculate average monthly payroll costs by dividing the amount from Step 2 by 12.
 - **Step 4:** Multiply the average monthly payroll costs from Step 3 by 2.5.
 - **Step 5:** Add the outstanding amount of any Economic Injury Disaster Loan (“EIDL”) made between January 31, 2020 and April 3, 2020, less the amount of any “advance” under the EIDL COVID-19 loan.
 - ▶ Maximum loan size is \$10 million.
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PPP – Payroll Cost Definition

- ▶ Compensation (salary, wage, commission, or similar compensation, payment of cash tip or equivalent).
 - ▶ Payment for vacation, parental, family, medical, or sick leave.
 - ▶ Severance payments.
 - ▶ Payment required for the provisions 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.
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PPP – Allowable Uses

- ▶ Payroll costs.
 - ▶ Cost related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance payments.
 - ▶ Payment of interests on any mortgage obligations.
 - ▶ Rent.
 - ▶ Utilities.
 - ▶ Interest on any other debt obligations that were incurred before the covered period.
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PPP – Forgiveness

- ▶ The PPP loan is a forgivable loan. Forgivable loans are common instruments used in the non-profit world. The lien of a forgivable loan is not that you pay, the lien is that you do certain things. If you do those things, the loan is forgiven and the borrower does not have to pay the loan back.
- ▶ Here, the government/bank will forgive loan portions based on timeframe/expenses. Only loan proceeds spent in the 8 weeks following the loan dispersal will be forgiven, and the loan must be spent on the above qualified expenses.
- ▶ The loan will only be forgiven in a 75 percent to 25 percent ratio of payroll to non-payroll expenses.

PPP – Forgiveness Reductions

- ▶ **Employee Reduction** - your forgiveness amount will be reduced by the number of Full-Time Equivalent employees you retain for the 8 weeks following the date your loan originated divided by the average number of full-time equivalent employees you had per month from either (i) February 15, 2019 to June 30, 2019, or (ii) January 1, 2020 to February 29, 2020. The business is permitted to choose which of the two time periods it wants to use. Or as a formula:

[Forgiveness Amount without reduction] x [FTE during 8 weeks post-loan origination] / [average monthly FTE between February 15, 2019 to June 30, 2019] or [average monthly FTE between January 1, 2020 to February 29, 2020] = [Final Forgiveness Amount]

- ▶ **Wage Reduction** - your forgiveness will be lowered on a dollar for dollar basis by the amount of wages you have reduced in excess of 25 percent of the total salary or wages of any employee, making less than \$100,000/year in 2019, during the most recent full quarter during which the employee was employed before your loan originated. Or as a formula:

[Forgiveness Amount without reduction] - [Total dollar amount of reduction in wages in excess of 25% of all employees earning less than \$100,000 in 2019] = [Final Loan Forgiveness Amount]

- ▶ **Rehire/Wage Restoration Safe Harbor** - loan forgiven amount will not be reduced if you restore the employees you terminated and the wages you reduced from February 15, 2020 to April 26, 2020 by June 30, 2020.



Small Business Debt Relief Program

- ▶ The SBA will cover all loan payments on SBA loans (7(a), 504, and microloans), including principal, interest, and fees, for 6 months. This relief will also be available to new borrowers who take out loans by September 26, 2020.

 - ▶ 7(a) loans
 - 7(a) loans are an affordable loan product of up to \$5 million for borrowers who lack credit elsewhere and need access to versatile financing, providing short-term or long-term working capital and to purchase an existing business.

 - ▶ 504 loan
 - The 504 Loan Program provides loans of up to \$5.5 million to approved small businesses with long-term, fixed-rate financing used to acquire fixed assets for expansion or modernization. It is a good option if you need to purchase real estate, buildings, and machinery. You apply through a Certified Development Company, which is a nonprofit corporation that promotes economic development.

 - ▶ Microloan
 - The Microloan Program provides loans up to \$50,000 to help small businesses and certain not-for-profit childcare centers to start up and expand. The average microloan is about \$13,000. These loans are delivered through mission-based lenders who are also able to provide business counseling.
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Economic Injury Disaster Loans

- ▶ EIDLs are lower interest loans of up to \$2 million that are available to pay for expenses that could have been met had the disaster not occurred, including payroll and other operating expenses. You apply through the SBA.
 - ▶ Eligibility similar to PPP, but must meet the applicable size standard for typical SBA loans. Private non-profits of any size are typically eligible. Non-profits under 501(c), (d), and (e) are eligible under certain circumstances. Must have been in business since January 31, 2020.
 - ▶ You can apply for both a PPP loan and an EIDL loan but proceeds cannot be used for the same purposes.
 - ▶ As part of the EIDL grants of up to \$10,000 are available if required at time of application for the EIDL. The \$10,000 is a grant and will not be required to be repaid. The grants should be available even if you eventually do not qualify for the loan you are applying for. If you apply for both the PPP and the EIDL, any advance will be subtracted from the amount of forgiveness you can get under the PPP forgiveness programs.
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Other CARE Act Provisions

- ▶ Expanded small business counseling through Small Business Development Centers, Women’s Business Centers, or SCORE mentorship chapters.
 - Renaissance Women’s Business Center - (415) 541-8580
<https://www.rencenter.org/womens-business-center/>
 - San Francisco SBA District Office - (415) 937-7232
<https://www.sba.gov/offices/district/ca/san-francisco>
 - San Francisco SCORE - (415) 764-4964 <https://sanfrancisco.score.org/>

- ▶ Tax Benefits.
 - Employee Retention Credit for Employers Subject to Closure or Experiencing Economic Hardship - Provides a refundable payroll tax credit for 50 percent of wages paid by eligible employers to certain employees during the COVID-19 crisis. The credit is available to employers, including non-profits, whose operations have been fully or partially suspended as a result of a government order limiting commerce, travel or group meetings. The credit is also provided to employers who have experienced a greater than 50 percent reduction in quarterly receipts, measured on a year-over-year basis. Credit is available for the first \$10,000 in wages and compensation paid by the employer to an eligible employee.

 - Delay of Payment of Employer Payroll Taxes - This provision would allow taxpayers to defer paying the employer portion of certain payroll taxes through the end of 2020, with all 2020 deferred amounts due in 2 equal installments, the first at the end of 2021, and the second at the end of 2022. Payroll taxes that can be deferred include the employer portion of FICA taxes, the employer and employee representative portion of Railroad Retirement taxes (that are attributable to the employer FICA rate), and half of SECA tax liability.

State Programs



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California Work Sharing Unemployment Insurance

- ▶ California created the Work Sharing Program allowing employees whose hours and wages have been reduced to receive unemployment benefits.

- ▶ Employers must:
 - reduce at least 10 percent of the employer's regular workforce, which must be a minimum of 2 employees;
 - hours and wages must be reduced by at least 10 percent and not exceed 60 percent;
 - health benefits must remain the same as before, or they must meet the same standards as other employees who are not participating in Work Sharing;
 - retirement benefits must meet the same terms and conditions as before, or they must meet the same as other employees not participating in Work Sharing;
 - notify the employees in advance of the intent to participate in the Work Sharing program;
 - identify the affected work units to be covered by the Work Sharing plan and identify each participating employee by their full name and Social Security number;
 - identify how many layoffs will be avoided by participating in the Work Sharing program; and
 - provide the Employment Development Department with any necessary reports or documents relating to the Work Sharing plan.

California Loan Programs

- ▶ California Small Business Loan Guarantee Program & Disaster Relief Loan Guarantee Program
 - California IBank Small Business Finance Center offers a loan guarantee program designed for Disaster Relief specifically and is currently available to small businesses needing assistance to overcome economic injury caused by COVID-19. Loans are operated through Financial Development Corporation (“FDC”) partners throughout the state that assists businesses in securing a 95% guarantee on a bank loan. The FDCs work directly with lenders to underwrite the loan. For San Francisco, this program is run through the Northern California Small Business Financial Development Corporation
 - Available to non-profits and small business with less than 750 employees.
 - Interest rate is determined by the lending bank, and loan can be guaranteed up to 7 years.

- ▶ California Capital Access Program
 - The California Capital Access Program encourages banks and other financial institutions to make loans to small businesses that have difficulty obtaining financing. Loans are issued through contacting participating lenders.
 - Similar to the above disaster relief loan, the state is guaranteeing the loan.
 - Available to small business with 500 or fewer employees.

California Tax Relief

- ▶ Income tax filing and payment dates have been extended
 - Partnerships and LLCs who are taxed as partnerships whose tax returns are due on March 15 now have a 90-day extension to file and pay by June 15.
 - Individual filers whose tax returns are due on April 15 now have a 60-day extension to file and pay by June 15.
 - Quarterly estimated tax payments due on April 15 now have a 60-day extension to pay by June 15.

- ▶ Taxpayers claiming the special COVID-19 relief should write the name of the state of emergency (for example, COVID-19) in black ink at the top of the tax return to alert the State Franchise Tax Board of the special extension period. If taxpayers are e-filing, they should follow the software instructions to enter disaster information.

- ▶ The State Franchise Tax Board will also waive interest and any late filing or late payment penalties that would otherwise apply.

- ▶ State Payroll Tax and Reporting. Businesses experiencing a hardship as a result of COVID-19, may request up to a 60-day extension of time to file state payroll reports and/or deposit state payroll taxes without penalty or interest. A written request for extension must be received within 60 days from the original delinquent date of the payment or return.

San Francisco Programs



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Sick Leave

In the newly instituted Workers and Family First Program, the City will contribute up to 40 hours at \$15.59 per hour per employee above whatever Paid Sick Leave the employee is currently entitled to. If the employee is usually paid more than \$15.59 per hour, the small business must contribute the remainder up to \$30 per hour.

Financial Assistance

- ▶ **Small Business Emergency Loan Fund.** The City's new Small Business Emergency Loan fund deploy loans of up to \$50,000 at 0% interest. To be eligible you must be a for-profit business located in San Francisco and in good standing, have total annual revenue under \$2.5 million, demonstrate a 25% drop in revenue since January 1, 2020, have 3 years remaining on a lease.* Self-employed, sole-proprietors and independent contractors are eligible.
- ▶ **Small Business Resiliency Fund.** The City is offering emergency grants of up to \$10,000 for businesses with 1-5 employees. To be eligible the business (i) must have between 1-5 fulltime equivalent payroll employees, (ii) must be a for-profit business, (iii) require a San Francisco license or permit, (iii) have less than \$2,500,000 in gross receipts, and (iv) have evidence of at least 25% loss of revenue in a 30-day period.
- ▶ **Main Street Launch.** The City has partnered with the nonprofit Main Street Launch to offer loans up to \$250,000 with interest rates between 3.5% - 7.75%. Businesses can set up a 20-30 minute eligibility phone call at (415) 213-8677 or by email.
- ▶ **Arts Relief Program.** Nonprofit Arts Organizations in the Bay Area can apply for a COVID-19 Emergency Loan, of up to \$50,000, at a 2.5% interest rate with a 12- to 24-month repayment period. The loan will cover any emergency needs that will help the organization stay solvent until federal, state and county restrictions on social gatherings are lifted and events and programming can be resumed. It is expected that most loan proceeds will be used to pay staff salaries, artists, rent, and other operating costs.

San Francisco Tax Relief

- ▶ **City Tax Deferrals.** Quarterly estimated tax payments of the Gross Receipts Tax, Payroll Expense Tax, Commercial Rents Tax, and Homelessness Gross Receipts Tax that would otherwise be due on April 30, 2020, are waived for taxpayers or combined groups that had combined San Francisco gross receipts in calendar year 2019 of \$10 million or less. These quarterly estimated tax liabilities must instead be paid along with annual tax payments for tax year 2020, which will generally be due by March 1, 2021. These bills are typically mailed in late March, but businesses with 2019 gross receipts of \$10,000,000 or less will receive a letter instead of a bill.
- ▶ **City Business License Fee Deferral.** The City's Office of the Treasurer & Tax Collector collects annual license fees on behalf of the Department of Public Health, Fire Department, Police Department, Entertainment Commission and the Office of Cannabis. The due date for license fees otherwise due on March 31, 2020, is extended to June 30, 2020. The license bills have already been mailed. For businesses that have already received them, the Office of the Treasurer & Tax Collector will be following up with an email and letter confirming the due date change by the end of March. The bills will not be reissued.

Private Aid Programs



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- ▶ Facebook Small Business Grants Program
 - ▶ Verizon Small Business Recovery Fund
 - ▶ Theatre Bay Area: Performing Arts Workers Relief Fund
 - ▶ Untitled, Art Emergency Award
 - ▶ Restaurant Opportunities Centers United
 - ▶ Bay Area Workers Support (BAWS)
 - ▶ KIVA zero-interest loans
 - ▶ James Beard Foundation
 - ▶ USBG National Charity Foundation – Bartender Emergency Assistance Program
 - ▶ The Restaurant Workers' Community Foundation
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