



U.S. SENATOR
GARY PETERS

THE CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY (CARES) ACT

SUPPORT FOR SMALL BUSINESS OWNERS

I have engaged with small businesses across Michigan about the devastating toll this pandemic is taking on their companies and employees and supported key measures to help them get through this crisis. That is why I pressed for vital increases in small business funding that were included in the CARES Act.

The CARES Act increases funding for 7(a) loans to \$350 billion to ensure this critical small business lending program can continue to provide support to small businesses, including in Michigan. The bill also includes tax relief for small businesses through paid leave and employee retention tax credits. The bill provides \$10 billion for Small Business Administration (SBA) emergency grants to provide immediate relief to small business operating costs as well as \$17 billion for SBA to cover six months of payments for small businesses with existing SBA loans. In addition, the bill expands how this funding can be used to each small business' specific need — whether that's ensuring they can be used for payroll support, such as employee salaries — paid sick or medical leave — or mortgage payments.

SBA 7(a) LOANS

Who is eligible for the loans?

Businesses and nonprofits with fewer than 500 employees are generally eligible, with some exceptions. Self-employed workers and gig workers, such as drivers for ride-sharing apps, are also able to apply for loans. Borrowers will need to have been in business as of Feb. 15, 2020, and paid employee salaries and payroll taxes, or paid independent contractors.

What kind of credit profile do I need to borrow?

The main underwriting standards for eligibility will be proof of payroll costs, and will be significantly relaxed compared with 7(a) loans issued during typical times. The SBA is expected to release detailed guidelines in coming days on underwriting and application criteria.

How do I apply?

The SBA guarantees the loans, so 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, and the Treasury Department plans to issue new regulations that will make it possible for almost all FDIC-insured banks to make SBA loans soon. **Simply put, the best thing to do is to contact your lender, whether it is a community bank, credit union, or other financial institution, and inquire about applying for a 7(a) small business loan.**

How long will it take to get the money?

The Treasury Department expects that “by the end of next week, we will have a very simple process where these can be made and disbursed in the same day.”



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How much money can I apply for?

The legislation raises the maximum 7(a) loan amount to \$10 million from \$5 million, and instructs lenders to determine the proper loan amount by using a formula that takes into account a business's past payroll expenses. The bill also sets the maximum interest rate for these loans at 4% and allows borrowers to defer payments for six months to a year.

What if I can't repay the loan?

There is a loan forgiveness component included in the bill for businesses that retain their workers or rehire ones that were laid off, according to Senate staffers. Those businesses would be eligible for forgiveness on portions of their loans used for certain costs—including payroll, rent payment, mortgage obligations and utilities—that are incurred during an 8-week period starting on the loan's origination date. The amount of forgiveness will take into account the number of workers retained or rehired.

Can I get more than one loan?

No, an entity is limited to one loan. Each loan will be registered under a Taxpayer Identification Number at SBA to prevent multiple loans to the same entity.

ECONOMIC INJURY DISASTER LOANS AND EMERGENCY ECONOMIC INJURY GRANTS

The CARES Act includes \$10 billion in funding for a provision to provide an advance of \$10,000 to small businesses and nonprofits that apply for an SBA economic injury disaster loan (EIDL) within three days of applying for the loan. EIDLs are loans of up to \$2 million that carry interest rates up to 3.75 percent for companies and up to 2.75 percent for nonprofits, as well as principal and interest deferment for up to 4 years. The loans may be used to pay for expenses that could have been met had the disaster not occurred, including payroll and other operating expenses.

The EIDL grant does not need to be repaid, even if the grantee is subsequently denied an EIDL, and may be used to provide paid sick leave to employees, maintaining payroll, meet increased production costs due to supply chain disruptions, or pay business obligations, including debts, rent and mortgage payments. Eligible grant recipients must have been in operation on January 31, 2020. The grant is available to small businesses, private nonprofits, sole proprietors and independent contractors, tribal businesses, as well as cooperatives and employee-owned businesses.

You can apply for EIDL loans and Emergency Economic Injury Grants [here](#).

TAX CREDITS FOR SMALL BUSINESSES

Refundable tax credits are available for private-sector employers that are required to offer coronavirus related paid leave to employees. IRS will be posting information soon on these credits on its website (www.irs.gov), including information on how to obtain advance payment of these credits.

The employer side of certain payroll taxes are deferred through the end of 2020. Deferred taxes will not become due until end of 2021 and end of 2022, with 50% of the liability being paid at each date.



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Any business that does not have a loan forgiven under the new SBA Paycheck Protection Program is eligible for the payroll tax deferral.

An employee retention tax credit is available for struggling businesses that are not eligible or choose not to participate in the new SBA Paycheck Protection Program. Any business that has been forced to fully or partially suspend operations, or that has seen a significant drop in revenues is eligible for a 50-percent credit for wages paid to furloughed or reduced-hour employees. For businesses with 100 employees or less, the credit is based on all wages paid, regardless of whether an employee is furloughed. There is an overall limit on wages per employee of \$10,000. The credit can be claimed against the business's quarterly payroll tax liability and is fully refundable to the extent of excess. There will also be options to receive advance payments. Small business owners should look out for information at www.irs.gov and talk to their payroll service provider, as applicable.

PANDEMIC UNEMPLOYMENT ASSISTANCE

If you are a self-employed worker or do not have a long enough work history to qualify for regular state unemployment insurance, you may now be eligible for federal Pandemic Unemployment Assistance thanks to provisions secured in the CARES Act. You may even be able to receive benefits retroactively if you lost pay due to Coronavirus after it was declared a public health emergency declared on January 27, 2020.

Examples of workers eligible for Pandemic Unemployment Assistance include:

- Independent contractors
- Gig economy or freelance workers
- Small business owners
- Temporary or seasonal workers
- Workers who have just started or were about to start a job

Qualifying experiences for Pandemic Unemployment Assistance include:

- A Coronavirus diagnosis or symptoms of Coronavirus
- A member of the household diagnosed with Coronavirus
- Providing care for a family member with Coronavirus
- Caring for a child due to a school or child care closure
- Not being able to reach your place of employment due to a quarantine, a request to self-quarantine, or because the place of employment is closed for reasons related to Coronavirus

Increase in unemployment benefit amounts:

If you are receiving state unemployment insurance or federal Pandemic Unemployment Assistance, you are eligible to receive an additional \$600 in weekly benefits up until July 31, 2020.

Extension of unemployment benefits

State unemployment insurance and Pandemic Unemployment Assistance will be available for an additional 13 weeks, which will be funded by the federal government. Under Governor Whitmer's executive order and under Pandemic Unemployment Assistance in this package, this means a total of 39 weeks rather than 26 weeks.



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Applying for benefits:

Both the federally funded unemployment assistance and state unemployment insurance benefits will be administered by the Michigan Unemployment insurance agency.

Contact info for Michigan Unemployment Insurance Agency:

https://www.michigan.gov/leo/0,5863,7-336-78421_97241--,00.html

Work share program support: Work sharing or “cost-sharing” programs allow employers to reduce hours for their employees in order to keep more workers on payroll. Employees receive unemployment benefits to help make up for reduced paycheck. For states with work sharing program options, like Michigan, the federal government will reimburse the state 100 percent for this program. Through executive order, Governor Whitmer expanded the Michigan’s Work Share Program. The federal stimulus package will help support our state carry out this option for businesses and employees.

For more information on Michigan’s Work Share Program:

https://www.michigan.gov/documents/uia/156_-_Shared_work_fact_sheet_letter_426209_7.pdf

If you have any additional questions about the federal resources available, please go to www.peters.senate.gov/coronavirus.