



2020 BUSINESS RELIEF

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FOR ALL INDEPENDENT CONTACTORS, PARTNERS, MEMBERS & CORPORATIONS

APRIL 7, 2020

Economic Injury Disaster Loans & Grants

We know times are tough if you own your own business. We are hearing from our clients every day who are struggling to stay afloat during this unprecedented crisis.

We know of realtors who can no longer show their clients homes to purchase, of television shows quarantined while filming on location, and hundreds of others who work very closely with other humans and thus cannot perform their jobs and stay six feet apart.

To help combat the economic disaster created by the coronavirus, the Federal Government is

offering several programs to help small businesses weather the storm.

Even if you have yet to feel the effects of the economic downturn coming, it is strongly encouraged that every business owner looks at the **Payroll Protection Program** and the **Economic Injury Disaster Grant** being offered through the Small Business administration.

To get more information, please call your bank or the SBA. We are not experts in this area. This newsletter is intended to get you the information you need to get started.

The Payroll Protection Program

The Paycheck Protection Program (PPP) is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll.

A company can apply for a loan up to \$500,000, the first payment is deferred for six months, there are no personal guarantees, credit score is irrelevant, there are no borrower fees, and no payments are due for six months.

If 75% of the proceeds are used for payroll (and the rest used for utilities, rent or business mortgage interest) the SBA will forgive loans if employees are kept on the payroll for eight weeks after receipt.

Forgiveness will be reduced if full-time head-count declines as the forgiveness is based on the employer maintaining employees and salary-levels.

Loan applications will be accepted through June 30, and all businesses, including sole-proprietors, partnerships, and independent contractors can apply.

If we prepare your payroll for you, even if it's once a year and only for you, you automatically qualify for the loan and the loan forgiveness.

Requirements

- Up to \$500,000
- Maturity of 2 years.
- First payment deferred for six months.
- 1% fixed interest rate.
- No collateral.
- No personal guarantees.
- Payroll costs are capped at \$100,000 on an annualized basis for each employee
- Independent contactors are not considered employees and are therefore ineligible to be claimed by the companies hiring them. Independent contractors can apply for their own loans.
- Loan amount is based on 2.5 times average monthly gross payroll
- Must have fewer than 500 employees
- Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease

And the business does not count the loan proceeds as income.

We strongly encourage all businesses to call their bank and apply. To download the application, visit the SBA at <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program-ppp>

Economic Injury Disaster Loan

Requirements

Small businesses may apply on the Small Business Administration website for an Economic Injury Disaster Loan (EIDL) up to \$2 million at an interest rate not to exceed 3.75%.

This loan is designed to help small business overcome the temporary loss of revenue as a result of the COVID-19 pandemic.

The EIDL is obtained directly through the SBA, rather than through an approved lender.

It is estimated that the online application should take about eight minutes of your time, if you have bookkeeping records.

Before exiting the online application, be sure to screenshot or write down the application number that you see on the screen after you complete the application; you won't receive a confirmation email until your application has been reviewed.

This economic downturn is unusual in that almost all business sectors are adversely affected.

Lean on your network; the same people who have helped you succeed will help you recover.

- Loan amount up to \$2 million
- The term is up to 30 years
- Interest rates are 3.75% for small business (and 2.75% for non-profits)
- The first month payments are deferred a full year from the date of the promissory note
- The SBA may approve EIDLs based solely on an applicant's credit score (no repayment ability and no tax return in required)
- Prior bankruptcy does not disqualify you
- EIDLs smaller than \$200,000 may be approved without a personal guarantee
- SBA is also not requiring real estate as collateral and will accept a general security interest in business property.
- **Consideration for Economic Injury Disaster Grant (see below) if you check the box on the application**
- Must have been in business as of Jan. 31, 2020.

Each downturn provides an opportunity to change your business to strengthen it for the recovery that will inevitably follow.

Economic Injury Disaster Grant

Just for applying for the Economic Injury Disaster Loan, borrower's may qualify for a \$10,000 emergency grant.

Called a "loan advance" by the SBA, the **up to \$10,000** grant does not have to be repaid, even if your loan is denied.

Payroll Tax Credit

A payroll tax credit of 50% of qualified wages of certain businesses whose operations have been fully or partially suspended by the government order whose gross receipts have fallen by at least half to a similar quarter the previous year.

Warning: You cannot take both the Payroll Tax Credit and the Paycheck Protec-

Requirements

- Must have lost 50% of sales compared to the same quarter in 2019
- The credit is refundable, which means you get the full credit even if you do not owe income tax.

tion Program.

The payroll tax credit, which is refundable, is 50% of wages up to \$10,000 during the crisis.



U.S. Small Business
Administration