

**COVID-19 FINANCING, GRANTS, TAX CREDITS AND DEFERRALS**  
**DIRECTED TO FOR PROFIT BUSINESSES**

**SMALL BUSINESS ADMINISTRATION BUSINESS LOAN PROGRAM**

**PAYCHECK PROTECTION PROGRAM (PPP) LOANS (CARES ACT)**

**Who can apply** – Includes Businesses with less than 500 employees (FTE, PT or Temp), Non-Profit Organizations and sole proprietorship

**How to apply** – SBA Lenders

**When to apply** – February 15, 2020 to June 30, 2020 (only one loan per entity)

**What is needed to apply** –

- Good Faith Certification from Borrower confirming:
  - the loan is necessary due to the uncertainty of current economic conditions caused by COVID-19;
  - they will use the funds to retain workers and maintain payroll, lease, and utility payments; and
  - are not receiving duplicative funds for the same uses from another SBA program

**Amount of loan** – 2.5 times the Average total monthly payroll costs for prior 1 year period (for seasonal business – from March 1, 2019 to June 30, 2019) plus the outstanding amounts of any EIDL obtained on or after January 31, 2020 that is refinanced, up to \$10,000,000. Note – special rules for businesses formed after June 30, 2019.

**What are payroll costs** –

Includes the following:

- Compensation (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 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

Does not include the following:

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- Employee/owner compensation over \$100,000
- Taxes imposed or withheld under FICA (Social Security and Medicare), Railroad Retirement Act, and IRC Chapter 24 (income tax at source)
- Compensation of employees whose principal place of residence is outside of the U.S
- Qualified sick and family leave for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act

***What can loan proceeds be used for -***

- Payroll costs (as noted above)
- 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 (see exclusions above)
- 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

***What are terms, interest rate and fees -***

- Payment deferral for at least 6 month period and not more than 1 year
- Maximum of 10 years for amounts not forgiven
- Maximum interest rate of 4%
- \$0 in fees and prepayment penalties
- Non-recourse
- No Collateral or Guarantee

***What amount of the loan can be forgiven -***

- The amount equal to the following for the period beginning on the date of the loan and for the 8 week period thereafter:
  - Payroll costs plus
  - Any payment of interest on any covered mortgage obligation (not including any prepayment or payment of principal on a covered mortgage obligation) plus
  - Any payment on any covered rent obligation (so long as lease agreement was in place prior to February 15, 2020) plus
  - Any covered utility payment (so long as utility was in place prior to February 15, 2020)
- The amount forgiven cannot exceed the principal amount of the loan

***What reduces or is subtracted from the amount that can be forgiven -***

- The emergency EIDL grant award of up to \$10,000.
- Reductions in the average number of FTEs during the 8 week period beginning on the date of the origination of a covered loan as compared to the average number of FTEs

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during the period from February 15, 2019 to June 30, 2019 or the period from January 1, 2020 to February 29, 2020 (or for seasonal employers – the period from February 15, 2019 to June 30, 2019)

- Reductions in the total salary or wages of employees (e.g. those who did not make more than \$100,000 in 2019) by more than 25% during the most recent full quarter before the 8 week period beginning on the date of the origination of a covered loan.

**What exemptions to the forgiveness reductions are there for rehires –**

- There is a reduction in FTEs between February 15, 2020 and 30 days after the enactment of the Act and that reduction is eliminated not later than June 30, 2020; and/or
- There is a reduction in salary of 1 or more employees by more than 25% between February 15, 2020 and 30 days after the enactment of the Act and that salary reduction is eliminated not later than June 30, 2020.

**How is forgiveness obtained -**

- Application must be made to lender which includes:
  - Documentation verifying the number of employees on payroll and pay rates, including IRS payroll tax filings and State income, payroll and unemployment insurance filings
  - Documentation verifying payments on covered mortgage obligations, lease obligations, and utilities.
  - Certification from a representative that is authorized to certify that the documentation provided is true and that the amount that is being forgiven was used in accordance with the program's guidelines for use.
- Note – the amount forgiven is not included in gross income for federal income tax purposes.

**What other benefits under the CARES Act are not available if a business receives a PPP Loan:**

- The employee retention tax credit available through December 31, 2020 (described below)
  - Provides a refundable payroll tax credit for 50% of wages paid to employees making more than \$10,000
- The delayed payment of employer payroll taxes (described below)
  - Allows deferral of 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 through 2020, with the deferred amounts due in two equal installments at the end of 2021 and end of 2022

**SMALL BUSINESS ECONOMIC INJURY DISASTER LOAN**

**Economic Injury Disaster Loans (EIDL)**

**Who can Apply** – Includes Businesses with less than 500 employees (FTE, PT or Temp), Non-Profit Organizations and sole proprietorship

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**How to Apply** – <https://disasterloan.sba.gov/ela/>

**When to Apply** – January 1, 2020 to December 31, 2020

**What is needed to Apply** –

For Profit Business:

- SBA Form 5, completed and signed
- Tax Information Authorization (IRS Form 4506T), completed and signed by each applicant, each principal owning 20 percent or more of the applicant business, each general partner or managing member; and, for any owner who has greater than 50 percent ownership in an affiliate business. Affiliates include, but are not limited to, business parents, subsidiaries, and/or other businesses with common ownership or management
- Complete copies, including all schedules, of the most recent Federal income tax returns for the applicant business; an explanation if not available
- Personal Financial Statement (SBA Form 413) completed, signed, and dated by the applicant, each principal owning 20 percent or more of the applicant business, and each general partner or managing member
- Schedule of Liabilities listing all fixed debts (SBA Form 2202 may be used)

Non-Profits:

- SBA Form 5, completed and signed
- A complete copy of the organization's most recent tax return OR a copy of the organization's IRS tax-exempt certification and complete copies of the organization's three most recent years' "Statement of Activities"
- Schedule of Liabilities.
- Tax Information Authorization (IRS Form 4506-T), completed and signed for each applicant and for any affiliated entity. Affiliates include, but are not limited to, business parents, subsidiaries, and/or other businesses with common ownership or management.

**Amount of loan** – Up to \$2,000,000

**What can loan proceeds be used for**- Expenses that could have been met had the disaster not occurred, including payroll and other operating expenses.

**What are terms, interest rate and fees** -

- Payment deferral for up to 4 years
- Maximum of 30 years
- Interest rate is 3.75% for small businesses and 2.75% for non-profits
- Can be refinanced into PPP loan

**What SBA requirements are waived** –

- Any personal guarantee on advances and loans below \$200,000
- Requirement that an applicant needs to have been in business for the 1-year period before the disaster, and

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- The alternative financing is not available elsewhere

### **Emergency Economic Injury Grants (CARES ACT)**

**Who can apply** – Includes Businesses with less than 500 employees (FTE, PT or Temp), Non-Profit Organizations and sole proprietorship in operation since January 30, 2020 who has applied for an EIDL loan due to COVID-19

**How to apply** – <https://disasterloan.sba.gov/ela/>

**When grant is available** – January 1, 2020 to December 31, 2020

**What is needed to apply** – Credit Score (or alternative method to determine ability to repay)

**Amount of grant** – up to \$10,000 (no repayment required even if EIDL denied)

**Timeframe for advance** – 3 days

**What can grant be used for** – Paid sick leave to employees, maintaining payroll, meeting increased costs to obtain materials, making rent or mortgage payments, and repaying obligations that cannot be met due to revenue losses

### **DEFERRALS ON EXISTING SBA 7(a) BUSINESS LOANS AND 504 BUSINESS LOANS**

**Who is eligible** – Borrowers who have existing 7(a) or 504 Business Loans with SBA.

**What relief is available for 7(a) Business Loans** – SBA issued a Notice on March 10, 2020 confirming that Lenders may assist borrowers experiencing temporary cash flow issues by deferring payments as follows:

- For a Loan Not Sold on Secondary Market: Lenders may grant a deferment of up to six (6) consecutive months.
- For a Loan Sold on Secondary Market: Lenders may grant a one-time unilateral deferment of up to 90 days without requiring prior investor consent.

**What relief is available for 504 Business Loans** - SBA issued a Notice on March 10, 2020 confirming that Certified Development Companies may assist borrowers experiencing temporary cash flow issues by deferring payments as follows:

- The amount deferred should not exceed six (6) cumulative monthly payments or 20% of the original loan amount, whichever is less.

### **CORONAVIRUS ECONOMIC STABILIZATION ACT OF 2020 LOANS (CARES ACT)**

**Who can apply** - Any business that has not otherwise received adequate economic relief in the form of loans or loan guarantees provided under the CARES Act

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## **Who provides these loans – 13(3) facility established by Federal Reserve**

### ***What criteria or restrictions apply to loans to businesses with less than 500 employees -***

All direct lending must meet the following criteria:

- Alternative financing is not reasonably available to the business;
- The loan is sufficiently secured or made at an interest rate that reflects the risk of the loan and, if possible, not less than an interest rate based on market conditions for comparable obligations before the coronavirus outbreak;
- The duration of the loan shall be as short as possible and shall not exceed 5 years;
- Borrowers and their affiliates cannot engage in stock buybacks, unless contractually obligated, or pay dividends until the loan is no longer outstanding or one year after the date of the loan;
- Borrowers must, until September 30, 2020, maintain its employment levels as of March 24, 2020, to the extent practicable, and retain no less than 90 percent of its employees as of that date;
- A borrower must certify that it is a U.S.-domiciled business and its employees are predominantly located in the U.S.;
- The loan cannot be forgiven;
- In the case of borrowers critical to national security, their operations are jeopardized by losses related to the coronavirus pandemic;
- Prohibits recipients of any direct lending authorized by this Title from increasing the compensation of any officer or employee whose total compensation exceeds \$425,000, or from offering such employees severance pay or other benefits upon termination of employment which exceeds twice the maximum total annual compensation received by that employee, until one year after the loan is no longer outstanding;
- Officers or employees making over \$3 Million last year would also be prohibited from earning more than \$3 Million plus fifty percent of the amount their compensation last year exceeded \$3 Million.

***What loans are available for mid-sized businesses -*** Treasury instructed to implement a special 13(3) facility through the Federal Reserve targeted specifically at businesses between 500 and 10,000 employees, for loans not higher than two percent (2%) interest per year and no payments due for first six months subject to additional loan criteria and obligations on the recipient, such as:

- The funds received must be used to retain at least 90 percent of the recipient's workforce, with full compensation and benefits, through September 30, 2020;
- The recipient will not outsource or offshore jobs for the term of the loan plus an additional two years;
- The recipient will not abrogate existing collective bargaining agreements for the term of the loan plus an additional two years; and
- The recipient must remain neutral in any union organizing effort for the term of the loan.

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## **PENNSYLVANIA INDUSTRIAL DEVELOPMENT AUTHORITY (PIDA)**

### **COVID-19 WORKING CAPITAL ACCESS PROGRAM (CWCA)**

**Who can apply** - For-profit businesses with 100 or fewer employees may qualify for disaster relief loans.

**How to apply** – <https://lehighvalley.org/covid19-pida>

**Amount of loan** - The maximum loan amount is \$100,000.

**What can loan be used for** - Eligible costs include operating costs incurred 3 months prior to the submission of the application. Retail/service enterprises are eligible for up to 50% of working capital costs incurred up to six months prior to submission of the application. Working capital are costs used for operations excluding fixed assets and production machinery and equipment.

#### **What are terms, interest rate and fees –**

- Interest rates are 0% for eligible businesses and 2% for agricultural producers.
- Amortization: 12 years
- Term: 3 years
- Repayment: No payment in first year, with amortized payments monthly for the following 24 months, and one balloon payment due at the end of the third year
- Guarantors: Each individual or other business entities owning 20% or more of applicant business must guarantee the loan.
- Collateral: The loan shall be secured by a blanket lien on all business assets currently owned or acquired in the future at the highest lien position available.
- Fees: \$750 non-refundable application fee payable at the time of application, and 1.5% of the loan amount.

#### **What is needed to apply –**

- Single application for assistance form (see website)
- A project narrative including the following information: (a) amount of the loan request (b) a brief description indicating whether or not the applicant business temporarily closed operations due to COVID-19 and if so, the date the closure started as well as the date operations resumed, if applicable (c) a brief description of the adverse financial impact caused to date by COVID-19 and (d) a brief description for how the working capital loan proceeds will be used to finance the business operations.
- A company profile sheet. (see website)
- A signed W-9 form for any individual or entity serving as a borrower or co-borrower. (see website)
- A signed certification sheet for the applicant company(s) and each principal or entity with 20% or more ownership (see website)
- For businesses with an operating history of one year or more, if available, the most recent year end accountant prepared financial statements or the most recent filed tax return.

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- For businesses with less than a year operating history, the most recent available management prepared financial statements.
- Debt schedule outlining all existing debts of the operating entity. This form is not required if accountant prepared financials are provided and include a detailed debt schedule. The debt schedule should be downloaded, completed, and attached to the ESA submission. (see website)
- Signed and dated personal financial statement no less than 12 months old for all individuals with 20% or greater ownership in the eligible business enterprise. The personal financial statement should be downloaded, completed, and attached to the ESA submission. (see website)
- The most recent year of financial statements for any entity other than an individual with 20% or more ownership in the eligible business enterprise.
- An individual credit report less than six months old for any individual with 20% or more ownership in the operating entity. (see [www.annualcreditreport.com](http://www.annualcreditreport.com))
- Fee commitment letter, signed and dated (see website)

### **GREATER LEHIGH VALLEY CHAMBER OF COMMERCE GRANT FUND**

**Who is eligible** - Businesses and nonprofit organizations in these counties: Carbon, Lehigh, Monroe, Northampton and Warren (NJ) and priority will be given to businesses operating on a main street or surrounding neighborhood

**What can funds be used for** - Rent, payroll and other operating expenses

**What amount is available** – a maximum of \$2000

**What is application process** - Applications must be submitted online to the Chamber and will be approved by committee based on availability of funds

**What is the deadline to apply** - April 3, 2020

### **EMPLOYEE RETENTION CREDIT (CARES ACT)**

**Who is eligible** - Employers whose (1) operations were fully or partially suspended, due to a COVID-19-related shut-down order, or (2) gross receipts declined by more than 50 percent when compared to the same quarter in the prior year.

**What is the amount of the credit** - A refundable payroll tax credit for 50 percent of qualified wages paid by employers to employees on the first \$10,000 of compensation paid, including employer-paid health benefits, between March 13, 2020 and December 31, 2020.

**What are qualified wages** –

- For employers with greater than 100 full-time employees, qualified wages are wages paid to employees when they are retained but not providing services due to the above mentioned COVID-19-related circumstances.

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- 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 shut-down order.

### **EMPLOYER PAYROLL TAX DEFERRAL (CARES ACT)**

**Who is eligible** – Employers and self-employed individuals

**What payroll tax is deferred** - Employer share of Social Security tax (6.2% on wages)

**When is payment due** - The deferred employment tax be paid over the following two years, with half of the amount required to be paid by December 31, 2021 and the other half by December 31, 2022.

### **PENNSYLVANIA HOUSE BILL 68**

**Who is eligible** – All contributing and non-contributing employers in Pennsylvania

**What is the relief** –

- Waives the one-week week waiting requirement and job search/registration requirements for all claimants for the duration of the disaster emergency.
- Relief from charges for private employers, non-profit employers and government employers who elected to pay a solvency fee to the UC Trust Fund.
  - Relief for benefit charges for weeks of unemployment during the duration of the disaster emergency will be COVID-19-related and will be provided automatically.
- Expanded repayment terms for reimbursable employers (non-profits and government) who did not pay the solvency fee:
  - 120 days to repay benefits (up from 30 days currently)
  - L&I can grant an additional 60 days upon a financial hardship request from the employer.
  - L&I must provide interest-free payment plans upon a financial hardship request from the employer.
  - No interest on late payments will accrue or be charged until January 1, 2021.

**What is impact of CARES Act** – Secretary is granted right through December 31, 2020 to adopt temporary regulations to qualify for federal programs made available through federal legislation.

Last updated: March 30, 2020

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