

What You Need to Know About Getting Financial Stimulus Money – March 30, 2020

Manufacturers, retailers and retail services are eligible for Small Business Administration (SBA) loans for two months of payroll, and repayment will be forgiven if the rules are followed.

The \$2 trillion Phase III Stimulus package couldn't come soon enough for many small businesses, including manufacturers, retailers and retail services, affected by the coronavirus economic shutdown. Scouring multiple news sources, here is information gleaned from the law. Of course, manufacturers, retailers and retail services should consult their own financial advisors and tax consultants on the law.

What's in the Stimulus Package for Small Businesses?

The bipartisan legislation signed into law by President Trump sets aside hundreds of billions of dollars in available funds specifically for small businesses to obtain loans from the federal government. The program has \$350 billion in loans that will be specifically administered by the SBA. This \$350 billion "Paycheck Protection Program" is separate from the \$50 billion in SBA loans that was put into law several weeks ago as part of the Phase II Stimulus package. Moreover, there is another \$454 billion that will be administered by new lending agency managed by Treasury Secretary Stephen Mnuchin. Other major industries, including the airlines and companies linked to national security, will have separate funds available.

Who Qualifies and How Do You Get a Loan?

Businesses with fewer than 500 employees are eligible for a loan. To obtain a loan, qualifying small businesses are asked to simply go to their local FDIC-insured bank. Indeed, speaking to reporters in March, Mnuchin said small businesses in many cases will be able to walk out of the bank with the money in hand in one day. In an effort to eliminate red tape, there is no hefty government website application. The loans are not like SBA loans in the past that were linked to natural disasters. Businesses that are facing the prospect of bankruptcy from the coronavirus outbreak will have a separate program in which they can participate.

How Much of a Loan Can You Get?

Small businesses can obtain a loan that covers two months of payroll, not exceeding \$10 million. Payroll for employees who earn more than \$100,000 per year is not covered. Portions of the loans can also be used for debt obligations, mortgage or rent payments, utility payments, and payroll support. The loans themselves must be secured for a term of no longer than 5 years. Businesses will be eligible for the loans through December 31, 2020.

Is the Loan Forgiven?

While the loan is in place, employers must maintain the same employment level within their company as they had on March 13, 2020. In addition, there are limits on the amount of compensation that can go to the owner of the company up until March 1, 2022.

But the law takes its one step further by declaring that small businesses that either maintain their employees during this crisis or rehire those employees will have their loans fully forgiven by the federal government.

What Can Individuals Get?

The stimulus package also includes relief for individuals, including expanded unemployment benefits for workers and direct payments by the government. Specifically, individuals earning less than \$75,000 (adjusted gross income) will receive a one-time check for \$1,200. Families with children will receive \$500 per child. Married couples earning less than \$150,000 jointly with no children will receive \$2,400. The payouts scale with diminishing amounts up to \$99,000 for individuals and \$198,000 for married couples. Payouts are expected to be out within three weeks, according to Mnuchin.

Individuals who are on unemployment insurance will get a \$600 boost in their unemployment disbursement per week. Also, self-employed people and independent contractors are now newly eligible for these unemployment benefits. People who are diagnosed with the virus and unable to work, or self-quarantining due to possible exposure, are also eligible.

Canadian Benefits

Canada has proposed a program for its citizens during this turbulent time. It includes a doubling of the payroll exemption for businesses from \$490,000 up to \$1 million in payroll; a suspension of any penalties related to non-payment of sales taxes for alcohol, tobacco, fuel and other items until August 31; a special tax credit for business investment; and suspension of property tax reassessments.

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