

COVID-19 Small Business Resource Guide

DEREK  KILMER
Proudly Representing Washington's 6th District

A Note from Representative Kilmer:

Across our region and the entire country, the COVID-19 pandemic is putting an extraordinary strain on our health care system, our economy, and on families. I hope you are all keeping safe, staying well, and managing these challenging times.

As someone who spent a decade working in economic development professionally, I know that small businesses are the backbone of our economy. During this tumultuous period in our economy, your government should have your back.

With that in mind, I've worked with my colleagues in Congress to pass three emergency response bills that have now been signed into law by the President. These new bills will provide bold and urgent action to protect the health, safety, and economic well-being of the American people – including our small business owners.

Small businesses across our state and region are facing unprecedented challenges. I have pushed Congress to step up to address the real problems folks are facing and to provide an immediate economic relief plan – including forgivable loans to small businesses to pay their employees and keep them on the payroll, debt relief for current and new Small Business Administration borrowers, and immediate disaster grants. We all know there's more work to do – and I'll continue to fight for our communities and for our local employers.

To those of you doing business in our region, let me just say “THANK YOU!” Thank you for employing people. Thank you for investing in our community. Please know I'll do all I can to support your ability to grow and stay in our region.

As this situation evolves, I encourage you to continue to visit [Kilmer.House.Gov](https://www.kilmer.house.gov) for more information or reach out to my team and me in Tacoma at 253-272-3515 if we can lend a hand.

As always, I'm honored to represent you.

Sincerely,



Derek Kilmer

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Resources

If COVID-19 disrupts a Washington business and causes a mass layoff or closure, Washington State Employment Security Department's (ESD) and its local workforce development board partners can respond with Rapid Response services and funding to help impacted workers get connected to unemployment benefits and re-employment services, including re-training, worker support services, and referrals to other social services. Click [here](#) to learn more about the ESD's rapid response services.

To keep up to date on when these programs become available, please stay in contact with your [local Small Business Administration \(SBA\) District Office](#).

Visit the Governor's [COVID-19 resource list for impacted Washington businesses and workers](#) to stay up to date on the list of Essential Businesses defined by the Governor for Washington State and other critical information.

To get daily updates and consolidated resources about the statewide response to this pandemic, visit Washington State's [Central COVID-19 Webpage](#).

If your business has been financially impacted by the COVID-19 crisis and you're having trouble figuring out where to begin, the following questions might help point you in the right direction.

Are you looking for:

- Capital to cover the cost of retaining employees? Then the **Paycheck Protection Program** might be right for you.
- A quick infusion of a smaller amount of cash to cover you right now? You might want to look into an **Emergency Economic Injury Grants**.
- Help keeping up with payments on your current or potential SBA loan? The **Small Business Debt Relief Program** could help.
- Free advice from a qualified SBA professional to help you navigate this uncertain economic time? The **Business Counseling & Training Section** might be your best bet.

For additional assistance please contact any of my offices, or visit my website at [Kilmer.House.Gov](#)

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Paycheck Protection Program

The Coronavirus Aid, Relief, and Economic Security (CARES) Act included \$367 billion to create a Paycheck Protection Program that will provide small businesses with low-interest, no-fee loans of up to \$10 million to help business retain employees and cover basic monthly expenses during the COVID-19 crisis.

For more information on the Paycheck Protection Program guidelines from the Treasury, click [here](#).

To apply for a Paycheck Protection Program loan through the SBA, click [here](#).

Paycheck Protection Program loan terms:

- Up to 8 weeks of average payroll and other costs will be forgiven if the business retains its employees and their salary levels.
- Principal and interest are deferred for up to a year and all borrower fees are waived.
- Can be used in coordination with other COVID-financing assistance established in the CARES Act or any other existing SBA loan program.
- Small businesses are eligible to apply if they were harmed by COVID-19 between February 15, 2020 and June 30, 2020.
- The program is retroactive to February 15, 2020 in order to help bring workers who may have already been laid off back onto payrolls.

Frequently Asked Questions: Paycheck Protection Program

What types of businesses and entities are eligible for a Paycheck Protection loan?

The following businesses and entities are eligible:

- Businesses and entities must have been in operation on February 15, 2020.
- All businesses – including nonprofits, veterans organizations, Tribal businesses, sole proprietorships, self-employed individuals, and independent contractors – with 500 or fewer employees can apply. Businesses in certain industries can have more than 500 employees if they meet applicable SBA employee-based size standards for those industries.
- Individuals who operate a sole proprietorship or as an independent contractor and eligible self-employed individuals.
- Any business concern that employs not more than 500 employees per physical location of the business concern and that is assigned a North American Industry Classification System code beginning with 72, for which the affiliation rules are waived. To understand SBA's affiliation rules, please [click here](#).

- Affiliation rules are also waived for any business concern operating as a franchise that is assigned a franchise identifier.

If I employ some 1099 contract workers, do they count against the 500-employee limit?

No. 1099 contract workers don't count against the 500-employee cap.

What if I already have an Economic Injury Disaster Loan (EIDL) from the SBA?

Borrowers who have an EIDL related to COVID-19 made on or after January 31, 2020 can still apply for a Paycheck Protection Program loan, with an option to refinance their existing EIDL into a Paycheck Protection loan up until the end of the covered period (June 30, 2020). However, the emergency EIDL grant award of up to \$10,000 would be subtracted from the amount forgiven under the Paycheck Protection Program. Existing EIDL borrowers not related to COVID-19 are also eligible to apply for Paycheck Protection loans for payroll assistance, but they may not refinance their existing EIDL into a Paycheck Protection Loan.

Which lenders offer Paycheck Protection Loans?

All current SBA 7(a) lenders are eligible to apply, and you can apply for a Paycheck Protection loans directly through your local lending institution. You can find more information about applying for a Paycheck Protection loan [here](#).

How much funding do I qualify for?

For most borrowers: The maximum loan amount is equal to 250 percent of your average monthly payroll costs from February 15, 2019 – June 30, 2019.

If your business employs seasonal workers: You can elect to choose March 1, 2019 as your time period start date.

If your business did not operate between February 15, 2019 – June 30, 2019: The maximum loan amount is equal to 250 percent of your average monthly payroll costs between January 1, 2020 and February 29, 2020.

For all borrowers: The maximum loan amount is \$10 million.

What costs can be covered by a Paycheck Protection loan?

Costs that can be covered include:

- Payroll costs, which include:
 - Direct compensation (salary, wage, commission, cash tips).
 - Annual leave benefits (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 and/or local taxes assessed on employee compensation.
- Payments of interest on any mortgage obligation (which shall not include any prepayment of or payment of principal on a mortgage obligation) in force prior to February 15, 2020.
- Rent on any lease in force prior to February 15, 2020.
- Utilities for which service began before February 15, 2020.
- Interest on any other debt obligations that were incurred before the covered period.

Which costs are eligible for loan forgiveness?

Amounts spent by the borrower during the 8-week period after the origination date of the loan on payroll costs (as described above), mortgage interest, rent, and utilities as described above may be forgiven, provided that:

- Amounts do not exceed the principal amount of the loan.
- Eligible payroll costs do not include compensation above \$100,000 in wages.
- The amount forgiven will be reduced proportionally by any reduction in employees or reduction in salaries.

To encourage employers to rehire employees who have already been laid off due to the COVID--19 crisis, borrowers will not be penalized for having a reduced payroll at the beginning of the period so long as the employer eliminates the reduction in the number of employees and/or salary levels by June 30, 2020.

What are the terms for the remaining loan amount that is not forgivable?

Any loan amount not forgiven is carried forward as an ongoing loan with a maximum term of 10 years, at a maximum interest rate of 4%. There are no loan origination fees or prepayment fees.

Are there payroll related costs that do not qualify for a Paycheck Protection loan?

The following costs are not eligible for payroll under a Paycheck Protection loan:

- Employee/owner compensation over \$100,000
- Taxes imposed or withheld under chapters 21, 22, and 24 of the IRS code
- 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

How do I qualify for loan forgiveness on eligible expenses?

Borrowers will apply through their lenders for forgiveness by providing the following:

- 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 of your business or organization 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.

For more information about the Paycheck Protection Program guidelines from the Treasury, click [here](#).

Will the forgivable portion of this loan be counted towards my taxable income?

No.

Are nonprofits eligible?

Nearly all 501(c) nonprofits - including churches and museums - with 500 employees or fewer are all eligible as SBA size standards for nonprofits are typically based on employee count, not revenue. Click [here](#) to use SBA's size standard tool to verify that your nonprofit is eligible.

Economic Injury Disaster Loans

The SBA's Economic Injury Disaster Loans (EIDL) offer up to \$2 million in assistance and can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing. These loans may be used to pay fixed debts, payroll, accounts payable, and other bills that can't be paid because of the disaster's impact. The interest rate is 3.75% for small businesses. The interest rate for non-profits is 2.75%.

Click [here](#) to learn more about the SBA's EIDL program.

Emergency Economic Injury Advance Grants: The CARES Act includes funding to provide an advance grant of \$10,000 to every small business and nonprofit that applies for an EIDL within three to five days of submitting their application. The EIDL Advance grants do not need to be repaid, even if the applicant's EIDL application is still pending or is ultimately denied. 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.

Frequently Asked Questions: EIDL program

How do I apply for an EIDL?

You can apply online [here](#) or you can reach out directly to your local SBA District Office.

What's the timeline for processing my application?

Once a borrower submits an application, approval timelines depend on volume. The maximum timeline for approval is 3 weeks and disbursement can take up to 5 days after approval, but SBA is working to expedite this processing timeline. Borrowers will be assigned individual loan officers to service the loan.

If I receive an EIDL and/or an Emergency Economic Injury Grant can I also apply for a Paycheck Protection loan?

Whether you've already received an EIDL unrelated to COVID-19 or you receive a COVID-19 related EIDL and/or Emergency Grant between January 31, 2020 and June 30, 2020, you may also apply for a Paycheck Protection loan. If you ultimately receive a Paycheck Protection loan or refinance an EIDL into a Paycheck Protection loan, any advance amount received under the Emergency Economic Injury Grant Program would be subtracted from the amount forgiven in the Paycheck Protection Loan.

My private non-profit is not a 501(c)(3). Is it still eligible for an EIDL and a grant?

Yes, if you are a private non-profit with an effective ruling letter from the IRS, granting tax exemption under Sections 501(c), (d) or (e) of the Internal Revenue Code of 1954, or if you can provide satisfactory evidence from the State that the non-revenue producing organization or entity is a non-profit organized or doing businesses under state law.

Small Business Debt Relief Program

The CARES Act established a new debt relief program to provide immediate relief to borrowers who are already carrying non-disaster SBA loans, including 7(a), 504, and microloans. Under this new program, SBA will cover all loan payments, including principal, interest, and fees, for six months. This relief will also be available to new borrowers who take out one of these loans within six months of the date of this new law's enactment (March 28, 2020).

Frequently Asked Questions: SBA Debt Relief Program

Which SBA loans are eligible for debt relief under this program?

Eligible loans include all 7(a) loans, excluding those made under the Paycheck Protection Program, 504 loans, and microloans. Disaster loans, including EIDLs, are not eligible for debt relief.

How does debt relief under this program work with a PPP loan?

Borrowers may separately apply for and take out a PPP loan, but debt relief under this program will not apply to a PPP loan.

Tax Relief for Employers

In addition to creating new direct grant and loan programs to support small businesses and nonprofits, the CARES Act also includes a number of tax provisions that will further alleviate the financial burden of this epidemic on employers, including:

- **Employer payroll tax delay:** Allows employers and self-employed individuals to defer payment of the employer share of the Social Security tax they otherwise are responsible for paying to the federal government with respect to their employees and requires that the deferred employment tax be paid over the following two years.
- **Employee Retention Tax Credit:** Businesses that recorded a 50 percent loss in revenue could claim a 50 percent refundable payroll tax credit on wages up to \$10,000 per employee. Certain small employers with 100 or fewer employees get a 50 percent credit for all wages paid, regardless of whether they furlough their workers.
- **Student Loan Tax Exclusion:** The bill allows employers to contribute up to \$5,250 tax-free to their employees' student loans.
- **Net Operating Loss (NOL) Carrybacks:** Allows businesses to offset taxes they have paid in the five past years against losses from 2018, 2019, or 2020, freeing up cash.
- **Qualified Improvement Property "QIP" Fix:** Fixes a "drafting error" made in the Tax Cuts and Jobs Act of 2017 (TCJA) that increased the depreciation schedule to 39.5 years for retailers, restaurants, and other commercial real estate to write off the cost of improving the inside of their building (e.g. remodel for a restaurant, upgrade a store, etc.) and returns that schedule back to 15-years.
- **Corporate Alternative Minimum Tax (AMT) Acceleration:** The corporate AMT was repealed in the TCJA. Previously, businesses had been able to earn credits they could use against the amount that they would owe under the AMT. These credits are good through 2021. This provision would allow businesses to take all of their AMT credits in 2020 and lower their taxes owed next year, which frees up cash today.
- **Business Interest Limitation:** Increases the current cap on deductible interest expenses from 30% of total income to 50% of total income, which frees up cash today by lowering a company's estimated taxes.

Business Counseling & Training

If you need a qualified professional to help guide you through the process of applying for SBA loans or grants and navigating this pandemic more broadly, you can turn to your local Small Business Development Center (SBDC), Women's Business Development Center (WBDC), or SCORE mentorship chapter. These resource partners, and the associations that represent them, will receive additional funds to expand their reach and better support small business owners with counseling and up-to-date information regarding COVID-19. In addition, the Minority Business Development Agency's Business Centers (MBDCs), which provides support to minority business enterprises of all sizes, will also receive funding to hire staff and provide programming to help their clients respond to COVID-19.

Frequently Asked Questions: Business Counseling and Training

How much does it cost to receive counseling and training through these resource centers?

Counseling is free and various training programs are available at low-cost.

How do I decide if an SBDC, WBDC, or MBDC is best suited to provide the resources I need to support my business?

SBDCs are a national network of nearly 1,000 centers that are located at leading universities, colleges, state economic development agencies and private partners. They provide counseling and training to new and existing businesses. Each state has a lead center that coordinates services specifically for that state, which you can find by clicking the link above. Click [here](#) to learn more about the resources provided by SBDCs.

WBDCs are a national network of more than 100 centers that offer one-on-one counseling, training, networking, workshops, technical assistance, and mentoring to entrepreneurs on numerous business development topics. In addition to supporting women-owned businesses, WBDCs are mandated to serve the needs of underserved entrepreneurs, including low-income entrepreneurs. They often offer flexible hours to meet the needs of their diverse clientele. Click [here](#) to learn more about the resources provided by WBDCs.

MBDCs are a good option for minority-owned businesses (including those owned by Black, Hispanic, Asian American/Pacific Islander, and American Indian business owners), especially those seeking to penetrate new markets — domestic & global — and grow in size and scale. Click [here](#) to learn more about the resources provided by MBDCs.

What if I currently hold a government contract and need help navigating resources?

If you are a government contractor, there are a number of ways that Congress has provided relief and protection for your business. Agencies will be able to modify terms and conditions of a contract and to reimburse contractors at a billing rate of up to 40 hours per week of any paid leave, including sick leave. The contractors eligible are those whose employees or subcontractors cannot perform work on site and cannot telework due to federal facilities closing because of COVID-19.

If you need additional assistance, please reach out to your local SBDC, WBDC, SCORE chapter, or SBA District Office. You should also work with your agency's contracting officer, as well as the agency's Office of Small and Disadvantaged Business Utilization (OSDBU).