

How to Apply for Small Business Assistance

The Small Business Administration offers several programs through the recently passed CARES Act for businesses to access capital. Primary among these are the Paycheck Protection Program, the Economic Injury Disaster Loans and the Small Business Debt Relief Program.



Paycheck Protection Program

The Paycheck Protection Program is a forgivable loan available for businesses, nonprofits, veteran's organizations and tribal businesses with less than 500 employees, sole proprietorships and independent contractors. The loan is based on:

- The average of monthly payroll costs multiplied by 250%
 - » For one year prior to the loan for companies in business in 2019
 - » OR for January and February 2020 for companies not in business in 2019
 - » OR from February 15, 2019 to June 30, 2019, for seasonal employers
- Payroll costs include compensation (salary, wage, commission), payment for vacation or sick leave, health insurance and retirement costs; salaries in excess of \$100,000 are excluded from the calculation
- Economic Injury Disaster Loans taken out between February 15 and June 30, 2020 for payroll costs can be rolled into the PPP loan
- Each loan is a maximum of \$10 M
- The amount spent on eligible expenses within eight weeks of issuance is not required to be paid back and does not count as income to the business for tax liability purposes, however borrowers must apply for forgiveness on these expenses. Eligible expenses include:
 - Payroll costs (no employee may receive more than \$100,000 annually through the program)
 - Mortgage or rent on a building or property
 - Utilities

Borrowers must apply for forgiveness via an application to the lender with applicable information including proof of the following:

- Documentation verifying the number of full-time equivalent employees on payroll and pay rates for the eight-week period
- Documentation (including cancelled checks, payment receipts or other documentation) verifying payments of covered mortgage obligations, covered lease obligations, and covered utility payments
- A certification from a company representative that the documentation is true and correct and the amount for requested forgiveness was used to retain employees and make covered payments (mortgage interest, rent and utilities);

Employers must maintain pre-crisis headcount or rehire by June 30, 2020 and reduce no more than 25%. If these conditions are not met the amount forgiven will be reduced proportionally. Any amount not forgiven is converted to a ten-year loan, with up to a 4% interest rate. The program also allows payment deferrals of six months to one year.

Borrowers do not need to demonstrate economic hardship but certify in good faith that their business has been affected by the current economic crisis. Companies will apply through banks certified in SBA 7a lending. Each bank will have their own requirements but will generally be looking for business description, recent tax returns, personal financial statements, debt schedules, and ownership records.



Economic Injury Disaster Loans

Economic Injury Disaster Loans (EIDL) offer up to \$2 million in assistance with a 3.75% interest rate for small businesses and 2.75% for non-profits for up to 30 years. Loans are available for fixed debt, payroll, accounts payable and other expenses that cannot be paid due to the disaster. Companies applying for the PPP can also apply for the EIDL program but cannot use EIDL for the same expenses. Small businesses can receive an advance of \$10,000 on their EIDL within three days of applying and does not need to be repaid.

To apply online, companies should visit <https://covid19relief.sba.gov/#/>. The website will walk business owners through the forms needed for the application. Small businesses must include SBA Form 5, which is the business loan application; IRS Form 4506, the tax information authorization form; copies of the most recent federal income tax returns; SBA 413, which is a personal financial statement; and a schedule of liabilities including fixed debt. Sole Proprietorships must fill out SBA Form 5C and IRS Form 4506-T. Forms are then uploaded to the website or mailed in.

Forms

- Application for Small Businesses: Form 5; en español
- Application for Sole Proprietorships: Form 5C; en español
- Tax Authorization Form: IRS Form 4506-T
- Personal Financial Statement: Form 413; en español
- Schedule of Liabilities: Form 2202; en español



Small Business Debt Relief Program

The Small Business Debt Relief program provides relief to small businesses with non-disaster SBA loans, including 7a, 504 and microloans. The SBA will cover loan payments for these loans for six months including principal, interest and fees. The program is also available to new borrowers who take out loans within six months of the bill being signed. 7a loans under the Paycheck Protection Act are not eligible.

- 7a loans are available for up to a maximum of \$2 M with the SBA guaranteeing up to 75%. Loans are for 25 years for real estate and equipment and 7 years for working capital. The loan is administered through a certified SBA lender. SBA does not directly loan the money but acts as a co-signer.
- 504 loans provide small businesses with long-term, fixed-rate financing to acquire fixed assets. Loans are available through Certified Development Companies. Loans are available for up to \$5.5 M. Typically the borrower contributes 10% of the project cost.
- Microloans provide loans of up to \$50,000 for small businesses. The loans can be used for working capital, inventory, furniture or fixtures and machinery and equipment. Loans are administered through community-based organizations



SBA Approved Lenders Located in Arizona:

- <https://www.azcommerce.com/media/1544424/lender-master-record-2020.pdf>