



The Valley Economic Alliance

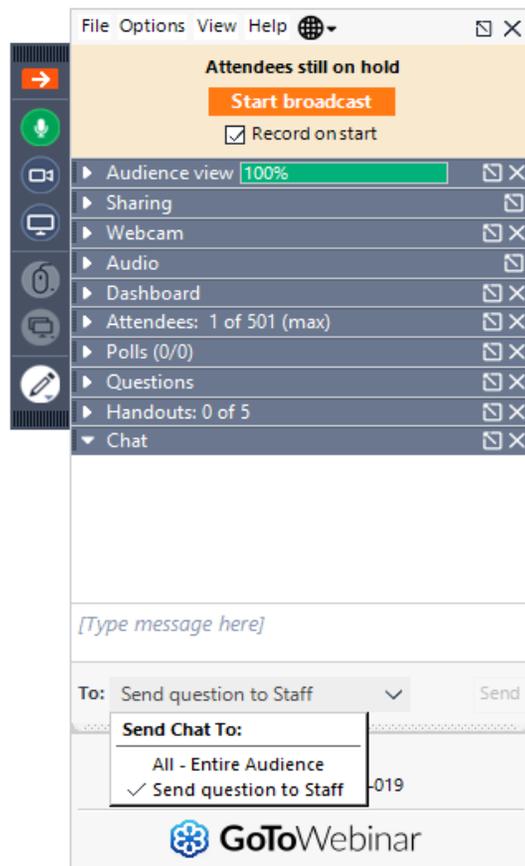
COVID -19 Webinar Series to Support Business

**Small Business Guide to the CARES Act:
Financial Programs, How to Choose, How to Apply**

**Thursday, April 16, 2020
10:00 AM until 11:00 AM**



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COVID -19 Webinar Series to Support Business

- ✓ Please Mute Yourself
- ✓ You may pose questions using the “chat” feature
- ✓ Presentation materials will be available after the webinar at www.economicalliance.org
- ✓ After the webinar, please take a few minutes to complete a survey

Presenters



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Today's Program



- ✔ The Coronavirus Aid, Relief and Economic Security Acts
- ✔ National Small Business Updates
- ✔ Financial Programs - at a Glance
- ✔ How to identify which Cares Act Program is Right for You and your Business
- ✔ Tips for Completing Applications

Note: Today's Program Focuses Only on CARES Act Program offered through the United States Small Business Administration



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About the Cares Act

- Signed into Law on March 27, 2020.
- Two-Trillion Dollar package aimed at combatting economic damage during the Coronavirus crisis.
- \$350 Billion Dollars allocated for business recovery programs.



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About the Cares Act

- **Direct Payments**
 - Taxpayers up to \$1,200, married couples up to \$2,400.
- **Unemployment**
 - \$250 Billion for extended unemployment insurance of an additional \$600 per week for four months.
- **Payroll Taxes**
 - Employers can defer their portion of payroll taxes until 2021 and 2022.
- **Small Business Relief**
 - \$350 Billion for preventing layoffs



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About the Cares Act

- **Required Minimum Distributions (“RMD”) Suspended.**
 - RMDs for IRAs and 401(k) plans at age 72 suspended.
- **Charity**
 - Provides above-the-line deduction
- **Net Operating Losses**
 - Tax Cut and Jobs Act (“TCJA”) net operating rules modified.
- **Use of Retirement Funds**
 - Waives 10% early withdrawal penalty for distributions up to \$100,000
- **401 (k) Loans**
 - Loan limit increased from \$50,000 to \$100,000
- **Excess Loss Limitations**
 - Current rules suspended.



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About the Cares Act

- Interest Expense Limitations
 - Rules for pass-through entities suspended.
- Interest Expense Limitations
 - Limitations increased to 50% from 30% for tax years beginning in 2019 and 2020.
- Large Corporations
 - 500 Billion for loans, loan guarantees and other investments.
- Hospitals and Health Care
 - \$140 Billion to support health care system of which \$100 Billion injected directly into hospitals.
- Coronavirus Testing
 - Covered to patients at no cost.
- States and Local Governments
 - \$150 Billion; \$30 Billion for states and educational institutes, \$45 Billion for disaster relief and \$25 Billion for transit programs



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National Small Business Highlights (Since the Coronavirus Crisis)

- One-quarter of small businesses have already shut down.
- Estimated 40% of all small businesses will shut down in next two weeks.
- Small businesses are taking advantage of CARES Act programs – 56% have taken advantage of direct cash payments, 30% of disaster loans and 21% have applied for temporary cancellation of business payroll taxes.
- 59% of small business owners feel comfortable with current cash flow compared with 80% in 2020 first quarter.
- 25% believe the national economy is doing well; 32% believe their local economy is doing well.
- 46% of small businesses believe it will take the U.S. economy six months to a year to return to normal.

Source: U.S. Chamber of Commerce Special Report on Coronavirus and Small Business, April 7, 2020

U.S. Small Business Administration (SBA) Programs at a Glance



- Paycheck Protection Program (“PPP”)
- Economic Injury Disaster Loans and Emergency Economic Injury Grants (“EIDL”)
- Small Business Debt Relief Program
- Small Business Counseling-referral sources, only
- Small Business Contracting – referral sources, only
- Small Tax Provisions

Paycheck Protection Program (“PPP”) Overview



- Provides cash-flow assistance through 100% federal guaranteed loans to employers who maintain payroll during Coronavirus crisis.
- If employer maintains payroll, loans will be forgiven.
- Eligibility for small business if they were harmed by COVID-19 between February 15th through June 20th.
- Loan amount up to \$10 Million.

Paycheck Protection Program (“PPP”) Eligibility

How do I calculate my average monthly
PAYROLL COSTS?



sum of
INCLUDED
payroll costs

sum of
EXCLUDED
payroll costs

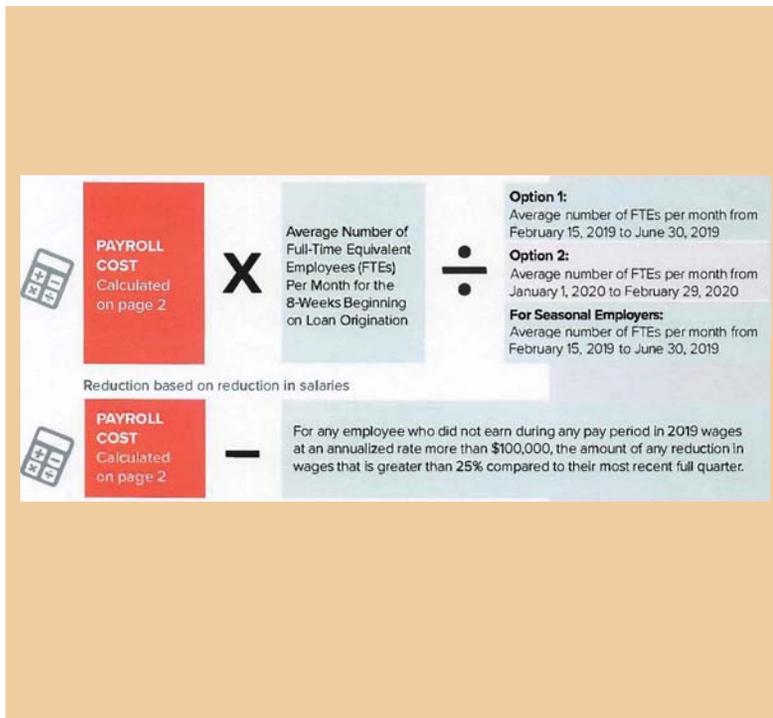
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**PAYROLL
COSTS**

- Fewer than 500 employees per physical location.
- In operations on or before February 12, 2020.
- Small business, charitable not for profit agencies, veteran’s organizations, tribal business concerns.
- Individuals who operate a sole proprietorship or as an independent contractor and eligible self-employed individuals.

Paycheck Protection Program (“PPP”) Loan Size

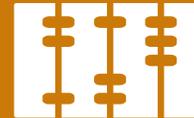


- Maximum loan is \$10 Million.
- Maximum loan is equal to 250% of your average monthly payroll costs if you were in business from February 15th through June 30th.
- Maximum loan is equal to 250% of your average monthly payroll costs between January 1st and February 29th.

Paycheck Protection Program (“PPP”) How to Apply and & Loan Use



- You can only apply for the PPP through a lending institution that is approved to participate in the program through an existing U.S. Small Business Administration (“SBA”) lending program.

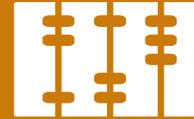


- There are thousands of banks and credit unions that already participate in SBA programs. Visit www.sba.gov for a list of approved lenders in your area.

Paycheck Protection Program (“PPP”) How to Apply and Loan Use



- Although the actual program application is only three pages, additional documentation is required to accompany the application.
 - Borrower was in business before February 15th.
 - Employees whom business paid salaries, payroll taxes or paid independent contractors.



- Good faith certification
 - Loan needed to support ongoing operations.
 - Funds used to retain workers, maintain payroll, make mortgage, lease and utility payments.
 - No other loan under the SBA program.
 - Documentation of full time equivalent (“FTE”) employees

Paycheck Protection Program (“PPP”) Loan Forgiveness



▪ Loan Forgiveness

- Loan forgiveness is equal to the amount the borrower spent on the following during eight (8) week period:
 - Payroll costs
 - Interest on mortgage obligations
 - Rent on leasing agreement
 - Payments for utilities
- Sum of documented payroll costs, covered mortgage interest payments, covered rent payments and covered utilities.

Economic Injury Disaster Loans ("EIDL"): Overview



- Low interest loans of up to \$2 Million.
- Principal and interest deferment at the Administrator's discretion.
- Provides an advance of \$10,000 within three (3) days of applying.
- To access the advance, applicants must first apply for an Economic Injury Disaster Loan ("EIDL").
- The \$10,000 advance does not need to be repaid under any circumstance.
- Loan uses to keep employees on payroll, employee sick leave, production costs, general business obligations, rent and mortgage payments.

Economic Injury Disaster Loans ("EIDL"): Eligibility



- Fewer than 500 employees.
- Most 501 (c) 3 not for profit agencies.
- Sole proprietorships, with or without employees.
- Independent contractors.
- Cooperatives and employee owned businesses.
- Tribal small businesses.
- In business since January 31st.

ECONOMIC INJURY Disaster Loans ("EIDL"): How to Apply



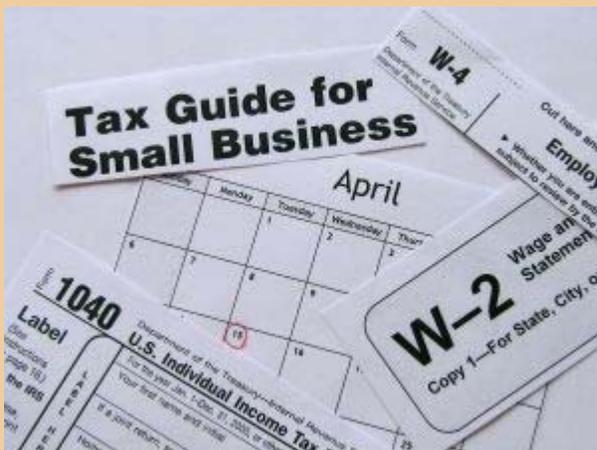
- Apply directly through the United States Small Business Administration at www.sba.gov.
- Submit online.
- The application is two (2) pages and relatively easy to complete.
- Submission online can sometimes be challenging...application submission is sometimes slow and or disabled. Keep trying.

Small Business Debt Relief Program



- Immediate relief to small business with non-disaster SBA loans such as:
 - 7(a): Up to \$5 Million for borrowers who lack credit elsewhere. Loans can be short and long term for working capital, purchase an existing business, refinance current business debt or to purchase furniture, fixtures and supplies.
 - 504: Up to \$5.5 Million for borrowers with long-term, fixed rate financing used to acquire fixed assets for modernization or expansion. Good for purchasing real estate, buildings and machinery.
 - Microloan: Up to \$50,000 to help businesses and some not for profit childcare centers to start up and to expand.
 - SBA covers loan payments on these loans including principal, interest and fees for six (6) months.
 - Available to new borrowers who take out loans within six (6) months of March 27th

Small Business Tax Provisions: Overview and Eligibility



- Refundable payroll tax for 50% of wages paid by eligible employers.
- Operations fully or partially suspended due to Coronavirus crisis; at least 50% revenue reduction compared with same quarter in prior year.
- Fewer than 100 employees.
- Credits available for first \$100,000 in wages and compensation paid.

How to Identify Which CARES Act Program is Right for You



SITUATION: Established restaurant in business for more than 20 years is forced to close with only take-out service available. Restaurant has 25 employees and forced to lay off all but five (5) employees. Restaurant expects to open as soon as restrictions are lifted and expects to “return to normal.”

How to Identify Which CARES Act Program is Right for You



SITUATION: Newly established franchise of gyms (operation in multiple facilities in California) with 100 employees is forced to close. Owner is not certain if all employees can be rehired and is uncertain about when people will return to the gym environment even when allowed to re-open.

Counseling and Training



- **Contact The Valley Economic Alliance (“Alliance”) for business counseling and training. Call (818) 379-7000 for more information.**
- **Contact the following:**
- **Small Business Development Center: www.americassbdc.org**
- **Women’s Business Center: www.awbc.org**
- **Service Corps of Retired Executives (“SCORE”): www.score.org**
- **Minority Business Development Agency (“MBDA”): www.mbda.gov**

Tips for Program Applications



- ✔ If possible, download the application before completing so you can review and consider responses.
- ✔ Have pertinent information ready such as bank routing information (most programs require direct deposit), business formation date, employee salary documentation, etc.
- ✔ There is minimal opportunity for narrative throughout the application with more “drop down” menus that require a specific response.
- ✔ Although many loans have a forgiveness threshold, remember you are actually applying for a business loan from the Federal Government that may require some type of payback.

SERVICES WE OFFER

- ✓ Business Plan Development.
- ✓ Marketing Plan Development.
- ✓ Financing Resources.
- ✓ Women's Collaborative Mentoring Program.
- ✓ Permits: attaining a business license.
- ✓ Tax Credits and Incentives includes employee hiring tax credits.
- ✓ Workforce Training and Development includes introductions to WorkSource centers, career centers and staffing agencies.



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Disclaimer: The information provided in this presentation deck is general information, only, and should be not considered professional service advice.