

Covid-19 Small Business Survey (12)

PPP, EIDL, the Economy, and Payment Deferrals

NFIB Research Center

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The NFIB Research Center has published a series of Covid-19 related surveys assessing the impact of the health crisis on small business operations, economic conditions, and utilization of the targeted small business loan programs. This publication marks NFIB's 12th Small Business Covid-19 survey. The first of the series was published in early March with subsequent publications every 2-4 weeks.

The vast majority of borrowers, 86%, have spent their entire loan and are ready to apply for loan forgiveness. Borrowers can opt to use the original 8-week covered period or extend their covered period to 24-weeks. However, those borrowers who applied for a loan after June 5 are required to use the 24-week covered period. Over one-third (37%) are using the 8-week covered period, 42% are using the expanded 24-weeks, and 21% are not yet sure which they are using. The percent of borrowers who are not sure whether they are using the 8-week or 24-week covered period has remained about the same over the last month.

After using the PPP loan, 22% of borrowers anticipate having to lay off employees in the next six months, about the same percent reporting one month ago. About half (49%) of borrowers anticipate needing additional financial support over the next 12 months, again about the same as last month. Congress and the Administration are currently negotiating additional support for those small businesses most negatively impacted by the crisis. If eligible, 44% of small business owners would apply or re-apply for second PPP loan, another 30% would consider applying for one, generally unchanged from last month. The percent of small business owners most negatively impacted by the health crisis has remained about the same over the last few months.

PPP loan borrowers can use one of two PPP loan forgiveness applications: the standard, longer form application, or the simplified EZ application form. Over half (56%) of borrowers have or plan to use the simplified EZ forgiveness application form and 6% are using the standard form. Thirty-eight percent are not sure whether they are eligible to use the EZ application form or if they will have to use the longer version.

Few PPP lenders are currently accepting applications reflecting the low number of submitted applications. Just 16% of borrowers have submitted the PPP loan forgiveness application. The SBA has not yet started processing the applications approved by lenders.

The SBA recently limited permissible rent expenses for forgiveness of those business properties owned by a related entity to the business (generally the owner). Rent in these cases is limited to the amount of the properties mortgage interest. This restricted definition of rent payments eligible for forgiveness impacts many PPP borrowers. Nearly half (47%) of small businesses pay rent on property that is owned by an owner of the business.

About one-third of small business owners have applied for an Economic Injury Disaster Loan (EIDL). The vast majority (80%) of applicants had their loan approved, 13% of applicants were denied. Most applicants also received an EIDL emergency advance grant funds. By itself, the EIDL emergency advance is a grant, recipients do not have to pay it back. However, small business owners are not allowed to benefit from both the advance grant and PPP loan forgiveness. For those who received both the EIDL advance grant and the PPP loan, the SBA is required to subtract the amount of the advance from the approved PPP loan forgiveness amount. The EIDL advance grant will be converted into a PPP loan at a 1% interest rate.

The health crisis severely impacted most small businesses at the onset, but the economic recovery has been less uniform since then. Sales levels are still 50% or less than they were pre-crisis for about one-in-five (21%) small businesses with another 28% at sales levels of 50%-74% from pre-crisis. Over one-third (37%) are back or nearly back to where they were with sales between 75%-100% of pre-crisis levels with another 17% exceeding pre-crisis sales levels.

As has been consistent through most of the NFIB Covid-19 surveys, most small business owners do not expect business conditions to improve to normal levels until next year at the earliest. Just 10% of owners anticipate conditions improving to normal levels by the end of the year, 4% say that conditions are back to normal now. Over half (60%) of owners anticipate it taking until sometime in 2021 and 20% anticipate sometime in 2022, which is likely the timeframe most are expecting an approved vaccine or improved therapies to become available. Six percent are less optimistic and expect conditions not to fully improve until after 2022.

Economic conditions are putting significant stress on the financial health of many small business owners that are struggling to balance lower sales with fixed expenses. Rent and payments on loan obligations are two fixed costs that some small business owners have sought relief with varying degrees of success. Of the 79% of business owners who pay rent or a mortgage on property used for business purposes, 21% have asked their lender or owner of the property about deferring their payments. Of the 21% who asked, 65% were allowed payment deferral. Of the 46% of small business owners with a business term loan or line of credit, 15% of them have asked their lender about payment deferral and 78% were approved.

Employers have the option to defer the payment of employees' 6.2% Social Security tax between September 1st and December 31st, 2020. Under this plan, the employee will be required to repay the full amount of deferred taxes between January 1st and April 30th, 2021, through a payroll deduction. While over half of small employers are aware of the deferment, about 4% have or plan to take advantage of the deferment.

One-third of small businesses are covered by business interruption insurance, sometimes referred to as business income coverage. Unfortunately, the disruptions caused by health pandemics are not covered by most if not all of these insurance plans.

The adverse economic impact of the health crisis on small businesses continues. It has been over six months from the onset of the health crisis and many small businesses are still struggling to survive, trying to reduce costs and adjust business operations accordingly. Others have emerged in better shape with some exceeding

pre-crisis sales levels due to increased consumer spending. The health crisis is not impacting small businesses equally but the abrupt shifts in consumer spending, whether adjusting to slower sales or spending spikes, managing consumer and employees' health and safety, and complying with new government mandates, are creating added stress for most small business owners.

Methodology

This survey was conducted with a random sample of 20,000 NFIB members from NFIB's membership database of about 300,000 small business owners. The survey was conducted by email on September 28-30, 2020. NFIB collected 553 responses.

Questionnaire

Q1 Have you submitted an application for a Paycheck Protection Program (PPP) loan?

74% 1. Yes
26% 2. No

Q2 Was your PPP loan application approved, denied, or have you not heard yet either way?

97% 1. Approved
2% 2. Denied
1% 3. Haven't heard

Q3 Has the PPP loan been deposited to your bank account yet?

100% 1. Yes
0% 2. No

Q4 Did you keep (or are you keeping) your original 8-week covered period or extending your covered period to 24-weeks?

37% 1. 8-weeks
42% 2. 24-weeks
21% 3. I don't know

Q5 Have you spent all of your loan funds yet?

86% 1. Yes
14% 2. No

Q6 Did you or do you plan to use the EZ forgiveness application or the longer application?

56% 1. EZ application
6% 2. Long application
38% 3. I don't know

Q7 Have you submitted an application for PPP loan forgiveness yet?

16% 1. Yes
84% 2. No

Q8 After using your PPP loan, have you or do you anticipate having to lay off any employees in the next 6 months?

22% 1. Yes
78% 2. No

Q9 Do you anticipate needing additional financial support over the next 12 months?

49% 1. Yes
51% 2. No

Q10 If Congress extends PPP through the end of the year and your business was eligible to receive a second PPP loan (or first time borrower), would you re-apply / apply?

44% 1. Yes
27% 2. No
30% 3. Maybe

Q11 Have you submitted an application for an SBA Economic Injury Disaster Loan (EIDL)?

32% 1. Yes
68% 2. No

Q12 Was your EIDL application approved, denied, or have you not heard yet either way?

80% 1. Approved
13% 2. Denied
8% 3. Haven't heard

Q13 Has the EIDL loan been deposited to your bank account yet?

80% 1. Yes
20% 2. No

Q14 Did you request the EIDL Emergency Advance Grant? (\$1,000 per employee, up to \$10,000)

75% 1. Yes
25% 2. No

Q15 Has the EIDL Emergency Advance Grant been deposited to your bank account yet?

83% 1. Yes
18% 2. No

Q16 Have any of your employees taken Covid-19 related paid sick leave or family leave as mandated and offered through the Families First Coronavirus Response Act (FFCRA)?

21% 1. Yes
80% 2. No

Q17 If yes, have you claimed the tax credit (or an advance refund) for reimbursement of those costs?

29% 1. Yes
71% 2. No

Q18 How does your current sales volume compare to pre-crisis levels?

17% 1. More than 100% of pre-crisis level
34% 2. 76%-100% of pre-crisis level
28% 3. 51%-75% of pre-crisis level
14% 4. 26%-50% of pre-crisis level
7% 5. 1%-25% of pre-crisis level
1% 6. My business is currently closed

Q19 How long do you think it will take before your local community is back to a pre-crisis level of economic activity?

- 4% 1. It is now
- 10% 2. By the end of 2020
- 60% 3. Sometime in 2021
- 20% 4. Sometime in 2022
- 6% 5. 2023 or later

Q20 Do you pay rent or pay a mortgage on property used for business purposes?

- 79% 1. Yes
- 21% 2. No

Q21 Have you asked your lender or owner of the property about deferring your payments due to the health crisis?

- 21% 1. Yes
- 79% 2. No

Q22 Did your lender or owner of business property allow for payment deferral?

- 65% 1. Yes
- 35% 2. No

Q23 Do you currently have a business term loan or a line of credit (excluding PPP, EIDL, or other public loan program)?

- 46% 1. Yes
- 54% 2. No

Q24 Have you asked your lender about deferring your payments due to the health crisis?

- 15% 1. Yes
- 85% 2. No

Q25 Did your lender allow for payment deferral?

- 78% 1. Yes
- 22% 2. No

Q26 How frequently do you use independent contractors for business purposes?

- 6% 1. Daily
- 6% 2. A few times a week
- 13% 3. A few times a month
- 55% 4. A few times a year
- 19% 5. Don't use independent contractors

Q27 How many independent contractors do you typically pay for business purposes in a year?

- 32% 1. One
- 44% 2. 2-3
- 13% 3. 4-5
- 6% 4. 6-10
- 5% 5. More than 10

Q28 Does your business pay rent on property that you (or another owner) own?

- 47% 1. Yes
- 53% 2. No

Q29 Is your business covered by business interruption insurance (sometimes referred to as business income coverage)?

- 33% 1. Yes
- 67% 2. No

Employers have the option to defer the payment of employees' 6.2% Social Security tax between September 1st and December 31st, 2020. Under this plan, the employee will be required to repay the full amount of deferred taxes between January 1st and April 30th, 2021, via payroll deduction.

Q30 Are you familiar with this tax deferment option available to employers?

- 57% 1. Yes
- 43% 2. No

Q31 Have you or do you plan to defer employees' payroll taxes?

- 4% 1. Yes
- 97% 2. No

Q32 Please classify your major business activity, using one of the categories of examples below.

- 19% 1. Construction (general contractor, painting, carpentry, plumbing, electrical, etc.)
- 10% 2. Manufacturing and mining
- 4% 3. Transportation, communication, public utilities (truckers, movers, broadcasters, etc.)
- 3% 4. Wholesale
- 17% 5. Retail
- 6% 6. Restaurant
- 6% 7. Agriculture (veterinarian, forestry, landscaping, fisheries, etc.)
- 5% 8. Financial, insurance, real estate
- 19% 9. Services (auto repair, house cleaning, salon, etc.)
- 6% 10. Professional services (attorney, physician, skilled nursing, etc.)
- 6% 11. Other

Q33 Number of Employees

- 10% 1. No employees
- 14% 2. 1-2 employees
- 23% 3. 3-5 employees
- 18% 4. 6-9 employees
- 18% 5. 10-19 employees
- 11% 6. 20-49 employees
- 5% 7. 50-199 employees
- 1% 8. 200 or more employees