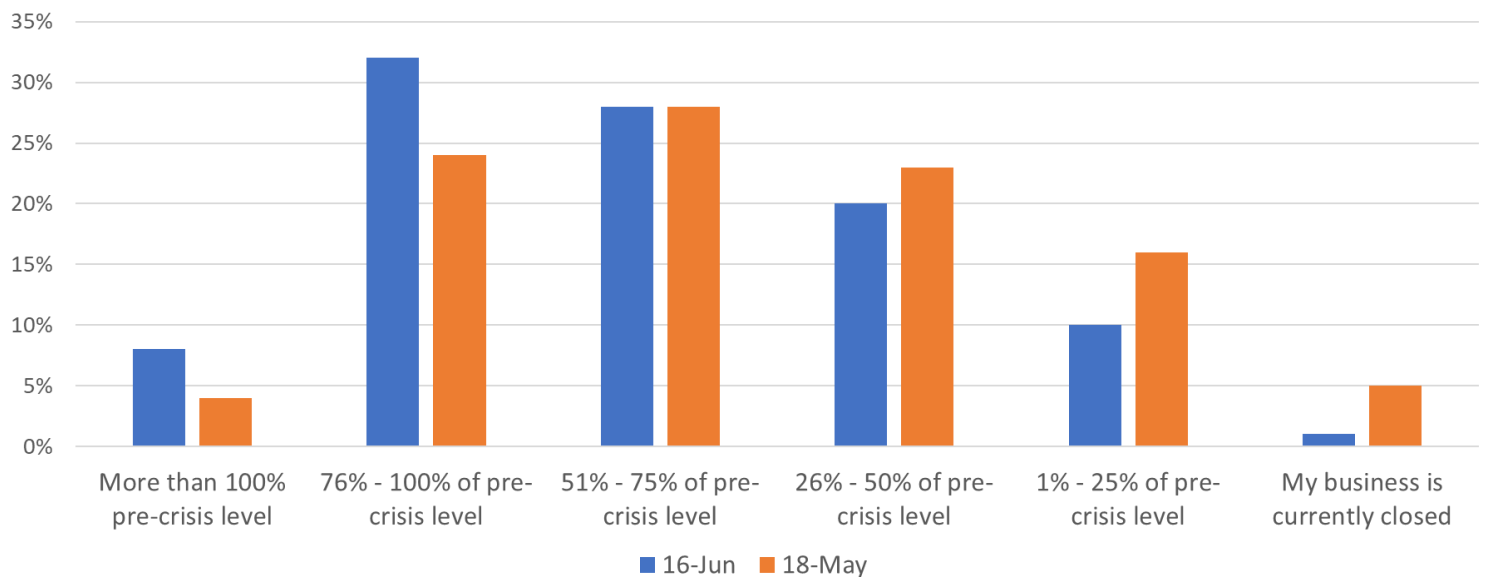


Covid-19 Small Business Survey (8)

NFIB Research Center

The Covid-19 health and economic crisis is entering its fourth month. Almost all small businesses continue to be negatively impacted by the crisis although by varying degrees. Economic conditions are still challenging for most but less so than a month ago. About 40% of respondents reported that their current sales volume is 75% or more of pre-crisis levels, a significant improvement from 28% reporting the same in NFIB's May 18th survey. Ten percent reported their current sales volume as 1% - 25% of pre-crisis levels, compared to 16% roughly one month ago.

Current Sales Volume Compared to Pre-Crisis



Most states have started to ease business restrictions and stay at home orders and many small business owners have experienced stronger sales as a result. Twenty-seven percent of respondents reported experiencing a significant or moderate increase in sales due to eased restrictions. Another 27% of respondents have experienced a slight increase. Sales levels did not change for 42% of small business owners.

The number of small business owners applying for a Paycheck Protection Program (PPP) loan increased slightly over the last two weeks with 81% of respondents applying for a loan compared to 77% as of May 29th. Of those who have not applied, only 3% anticipate applying for a loan before the program ends for new applicants June 30th. Most PPP loan applicants (85%) applied through the bank that they normally use for their business. Only 15% used another bank or financial institution to apply for a PPP loan. Almost all PPP applicants (97%) have received their loan. Most PPP borrowers are still using their loan but increasingly over the

next few weeks, more will have exhausted their funds and will be ready to apply for loan forgiveness. Currently, only 3% of PPP loan borrowers have applied for forgiveness.

The PPP loan forgiveness period was recently extended to 24-weeks with the passage of the PPP Flexibility Act of 2020 signed into law June 5, 2020. Borrowers are now allowed to use their loan beyond the original 8-week limit, offering additional time to pay for qualifying business expenses. Over half (59%) of PPP loan borrowers are taking advantage of the extra time and 41% are keeping their spending of the loan within the 8-week time frame. In addition to the 24-week extension, the PPP Flexibility Act of 2020 allows borrowers to use more of their loan on qualifying non-payroll expenses and added two new exemptions related to the full-time equivalent employee (FTEE) conditions for full-loan forgiveness. Forty percent of borrowers find these flexibilities very helpful in maximizing loan forgiveness and another 19% find them moderately helpful. The added flexibilities are somewhat helpful for another 17% of borrowers and not helpful to just 6%. One-in-ten reported that the original terms were fine for their purposes and 9% of borrowers were not familiar with the recent changes.

The PPP loan was designed to support payroll, encouraging owners to keep their employees on staff and connected to their job. However, after PPP loan borrowers finish using their loan proceeds, some will have to adjust their workforce to reflect their economic environment without financial support. About 14% of PPP loan borrowers anticipate having to lay off employees after using the loan. Half of those who anticipate reducing staff levels expect to layoff 1 or 2 employees. About 12% will likely reduce their staff by 10 or more employees.

The Economic Injury Disaster Loan program is another popular small business loan program managed through the Small Business Administration (SBA). Just over one-third (35%) have applied for an EIDL loan but most applicants are waiting for their loan to be processed. While the SBA has indicated recently that the remaining loan applications will be processed in the next week or two, still only 38% of applicants have had their loan deposited. Small business owners have experienced faster processing with the EIDL emergency grant advance with 72% of those who requested the grant advance receiving it.

Economic conditions have improved for many small business owners over the last month as states have eased business restrictions and stay-at-home orders. And most small employers have received much needed financial assistance through the PPP and EIDL programs to help support business operations during the health crisis. However, those businesses hardest hit by the crisis will likely need additional help. Of those small business owners who have applied for a PPP loan, an EIDL, or both, almost half of them anticipate needing additional financial support in some form over the next 12 months. The economic and health crisis is lasting much longer than the PPP's initial design of primarily supporting two months of payroll and limited non-payroll expenses, and of the EIDLs reduced loan distributions. The public health crisis will continue to impact many small businesses as restrictions on business operations and weak consumer spending will likely extend through the end of the year. Most owners (56%) expect they'll need less than \$50,000 to support business operations in the near term and just over one-in-four (27%) anticipate needing more than \$100,000.

Businesses are allowed to defer the deposit and payment of the employers' share of Social Security taxes and self-employed individuals to defer payment of certain self-employment taxes until December 31, 2020. About 41% of respondents are familiar with the new tax deferral provision and about 6% of respondents have taken advantage of it. Of those who have not yet deferred their tax payments, about 5% plan to do so and 31% responded "maybe." Almost two-thirds of small business owners are not planning to defer their tax payments.

Most small business owners have had to adjust their business operations to some degree due to the Covid-19 health crisis. The crisis has required significant change in business operations for 23% of respondents and a moderate change in operations for 32% of owners. About 30% of owners have had to modify their operations slightly and 16% of businesses have not changed any business operations.

Methodology

This survey was conducted with a random sample of NFIB's membership database of about 300,000 small business owners. The survey was conducted by email on June 16-17, 2020. NFIB collected 631 usable responses.

Questionnaire

06-16-2020

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

81% 1. Yes

19% 2. No

If yes, has the loan been deposited to your bank account yet?

97% 1. Yes

3% 2. No

Did you apply for the PPP loan through the bank that you normally use for your business?

85% 1. Yes

15% 2. No

Have you applied for loan forgiveness yet?

3% 1. Yes

97% 2. No

Are you extending your forgiveness window to more than 8-weeks (up to 24 weeks) or keeping your original 8-week window?

59% 1. Extending forgiveness window

41% 2. Keeping original 8-weeks

How helpful are the new flexibilities to the PPP loan terms been for you using the loan?

- 40% 1. Very helpful
- 19% 2. Moderately helpful
- 17% 3. Somewhat helpful
- 6% 4. Not helpful
- 10% 5. Original terms and conditions were fine
- 9% 6. Not familiar with added flexibilities

After using your PPP loan, do you anticipate laying off any employees?

- 14% 1. Yes
- 86% 2. No

If so, how many employees do you anticipate laying off?

- 50% 1. 1-2 employees
- 31% 2. 3-5 employees
- 7% 3. 6-10 employees
- 12% 4. More than 10 employees

If you did not apply for a PPP loan, do you anticipate applying for one?
(deadline June 30, 2020, loan is available to employers and non-employers)

- 3% 1. Yes
- 83% 2. No
- 15% 3. Maybe

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

- 35% 1. Yes
- 66% 2. No

If you have not applied for an EIDL loan, are you interested in applying for an EIDL loan?
(3.75% interest rate, 30-year loan)

- 4% 1. Yes
- 75% 2. No
- 21% 3. Maybe

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

- 38% 1. Yes
- 62% 2. No

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

- 80% 1. Yes
- 16% 2. No
- 5% 3. I don't know.

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

72% 1. Yes

28% 2. No

If you've taken out a PPP and/or an EIDL loan, do you anticipate needing additional financial support over the next 12 months?

47% 1. Yes

53% 2. No

How much additional financial support do you anticipate needing over the next 12 months?

28% 1. Less than \$20,000

28% 2. \$20,000 - \$49,999

17% 3. \$50,000 - \$99,999

20% 4. \$100,000 - \$249,999

4% 5. \$250,000 - \$500,000

3% 6. Over \$500,000

Businesses are allowed to defer the deposit and payment of the employer's share of Social Security taxes and self-employed individuals to defer payment of certain self-employment taxes until December 31, 2020. Employers have until December 31, 2021 to pay 50 percent of the deferred amount and until December 31, 2022 to pay the remaining amount.

Are you familiar with this new tax deferral provision?

41% 1. Yes

59% 2. No

Are you currently taking advantage of this tax deferral?

6% 1. Yes

94% 2. No

If not, do you anticipate deferring payroll taxes anytime between now and December 31st?

5% 1. Yes

64% 2. No

31% 3. Maybe

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

8% 1. More than 100% of pre-crisis level

32% 2. 76%-100% of pre-crisis level

28% 3. 51%-75% of pre-crisis level

20% 4. 26%-50% of pre-crisis level

10% 5. 1%-25% of pre-crisis level

1% 6. My business is currently closed

Have you experienced increased sales due to easing of state mandated business restrictions and stay at home orders?

- 7% 1. Significant increase
- 20% 2. Moderate increase
- 27% 3. Slight increase
- 42% 4. No increase
- 5% 5. I don't know

Have you had to change your general business operations due to Covid-19?

- 23% 1. Significantly changed
- 32% 2. Moderately changed
- 30% 3. Slightly changed
- 16% 4. No change

What the biggest change that you've had to make? _____

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

- 14% 1. Construction (general contractor, painting, carpentry, plumbing, electrical, etc.)
- 16% 2. Manufacturing and mining
- 3% 3. Transportation, communication, public utilities (truckers, movers, broadcasters, etc.)
- 4% 4. Wholesale
- 19% 5. Retail and Restaurants
- 5% 6. Agriculture (veterinarian, forestry, landscaping, fisheries, etc.)
- 5% 7. Financial, insurance, real estate
- 22% 8. Services (auto repair, house cleaning, salon, etc.)
- 8% 9. Professional services (attorney, physician, skilled nursing, etc.)
- 2% 10. Other (please describe) _____

Number of Employees

- 7% 1. No employees
- 11% 2. 1-2 employees
- 21% 3. 3-5 employees
- 19% 4. 6-9 employees
- 17% 5. 10-19 employees
- 17% 6. 20-49 employees
- 7% 7. 50-199 employees
- 0% 8. 200 or more employees