

Covid-19 Small Business Survey (13)

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 13th 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 (90%) have spent their entire PPP 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 22% 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 several months.

After using the PPP loan, 19% of borrowers anticipate having to lay off employees in the next six months, about the same as one month ago. About half (52%) 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 and 31% would consider applying, nearly 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.

The Department of Treasury and the Small Business Administration created three PPP loan forgiveness applications: the original, longer application form (3508), the shorter, EZ application form (3508EZ), and the “simple” form (3508S). The 3508S form is available to those PPP borrowers who have loan of \$50,000 or less. Twenty-eight percent of borrowers have or plan to use the 3508EZ forgiveness application form and 20% are using the new 3508S application form. Fourteen percent report that they have or will use the original, longer 3508 application form. Thirty-nine percent are not sure which forgiveness application form they will use.

Few PPP lenders are currently accepting forgiveness applications, reflected in the low number of submitted applications. About one-in-four (26%) borrowers have submitted the PPP loan forgiveness application, up from 16% a month ago. Another 34% of PPP borrowers are not yet ready to submit their forgiveness application and 39% are ready, but their bank is not yet accepting applications.

The PPP forgiveness application process can be as easy as entering a few lines of basic information, or incredibly difficult navigating full-time equivalent calculations and “look back” windows. Eleven percent of PPP loan borrowers find that the forgiveness application was difficult or moderately difficult. Another 17% found the process slightly difficult. The process was not at all difficult for one-in-five borrowers. These numbers will likely shift in subsequent surveys as 43% of borrowers say it’s too early to tell.

About one-third (34%) of small business owners have applied for an Economic Injury Disaster Loan (EIDL). The vast majority (82%) of applicants had their loan approved, 14% of applicants were denied. Most applicants also received an EIDL emergency advance grant funds. By itself, the EIDL emergency advance is a grant, and recipients do not have to pay it back. However, small business owners are not allowed to benefit from both the emergency advance grant and PPP loan forgiveness. Twenty-seven percent of those who received a PPP loan also received an EIDL emergency advance grant. For this group, the SBA is required to subtract the amount of the emergency advance grant from the approved PPP loan forgiveness amount when processing their application. The PPP loan that is not forgiven will remain a loan at a 1% interest rate.

In addition to the PPP and EIDL emergency advance programs, many states and local governments have their own small business targeted grant programs providing additional financial assistance. Nearly one-in-five (18%) small business owners have applied for a state or loan grant and 59% of them received one.

Another program available to small employers is the Employee Retention Credit, a refundable tax credit. However, this program is limited to those who have not received a PPP loan. Since most small employers have received a PPP loan, the population of eligible employers is limited. So far very few (0% reported in this survey) small employers have applied for the credit.

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 26% at sales levels of 50%-74% of pre-crisis. About one-third (34%) 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.

Thirty-seven percent of small business owners report that they anticipate having a net operating loss in 2020, another 22% do not know yet. Of those who anticipate a net operating loss in 2020, 34% of them plan to carry it back when they file their 2020 tax return.

One-in-five (20%) of small business owners report that they will have to close their doors if current economic conditions do not improve over the next six months. Another 19% of owners anticipate they will be able to operate no longer than 7-12 months under current economic conditions. Sixty-two percent are better situated and do not anticipate any near-term problems.

Consistently throughout 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 5% of owners anticipate conditions improving to normal levels by the end of the year, 5% say that conditions are back to normal now. Over half (59%) of owners anticipate it taking until sometime in 2021 and 24% anticipate sometime in 2022, which is likely the timeframe most are expecting an approved vaccine or improved therapies to become available. Eight percent are less optimistic and expect conditions not to fully improve until after 2022.

One-in-four (25%) small employers have had an employee take Covid-19 related paid sick leave or family leave as mandated and offered through the Families First Coronavirus Response Act (FFCRA), up from 21% in the September 30 survey. Only 38% of them have claimed the tax credit or an advance refund for reimbursement of those costs, however this is up from 29% a months ago.

Small employers are also managing the health and safety of their employees, customers, and themselves while operating their business. Twenty-one percent of small employers are very concerned about their employees contracting Covid-19, with another 21% moderately concerned. Thirty percent of owners are “very” or “moderately” concerned about contracting Covid-19 themselves while operating their business. Another 34% are somewhat concerned. Most small business owners (88%) are 100% involved in the daily operations of their business with another 8% of owners more than 75% involved in daily operations. The owner’s ability to operate the business is critical, and absence from the business can cause significant disruptions in business operations.

The adverse economic impact of the health crisis on small businesses continues. It has been about eight 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. Depressed sales and profits will likely continue for these firms until the health crisis is resolved. Others have emerged in better shape with some exceeding pre-crisis sales levels due to increased consumer spending. The K-shaped recovery seems to be most accurate in illustrating the small businesses sector. 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 October 23-26, 2020. NFIB collected 466 responses.

Questionnaire

Q1 Did you receive a Paycheck Protection Program (PPP) loan?

77% 1. Yes

23% 2. No

Q2 Did you keep (or are you keeping) your original 8-week covered period or extend your covered period to 24-weeks?

37% 1. 8-weeks

42% 2. 24-weeks

22% 3. I don't know

Q3 Have you spent all of your loan funds yet?

90% 1. Yes

8% 2. No

2% 3. I don't know

Q4 Did you or do you plan to use the original, the EZ, or the new simple PPP forgiveness application form?

14% 1. Original

28% 2. EZ form

20% 3. Simple form (for borrower with loans of \$50,000 or less)

39% 4. I don't know

Q5 Have you submitted an application for PPP loan forgiveness yet?

26% 1. Yes

34% 2. No, I'm not ready to submit an application yet.

39% 3. No, my bank is not accepting applications yet but I'm ready.

Q6 How was or is your experience with the PPP loan forgiveness application process?

3% 1. Difficult

8% 2. Moderately difficult

17% 3. Slightly difficult

21% 4. Not at all difficult

43% 5. Too early to tell

8% 6. Does not apply

Q7 After using your PPP loan, have you laid off any employees or do you anticipate having to lay off any employees in the next 6 months?

19% 1. Yes

81% 2. No

Q8 Do you anticipate needing additional financial support over the next 12 months?

52% 1. Yes

48% 2. No

Q9 If Congress extends PPP to allow eligible borrowers a second PPP loan (or new first time borrowers), would you re-apply / apply?

44% 1. Yes

25% 2. No

31% 3. Maybe

Q10 Have you submitted an application for an SBA Economic Injury Disaster Loan (EIDL)?

34% 1. Yes

66% 2. No

Q11 Was your EIDL application approved, denied, or have you not heard yet either way?

82% 1. Approved

14% 2. Denied

4% 3. Have not heard

Q12 Has the EIDL loan been deposited to your bank account yet?

90% 1. Yes

10% 2. No

Q13 Did you request the EIDL Emergency Advance Grant? (\$1,000 per employee, up to \$10,000)

72% 1. Yes

29% 2. No

Q14 Has the EIDL Emergency Advance Grant been deposited to your bank account yet?

81% 1. Yes

19% 2. No

Q15 Have you applied for any state or local sponsored small business financial grants?

18% 1. Yes

82% 2. No

Q16 If so, did you receive the state or local small business financial grant?

59% 1. Yes

42% 2. No

Q17 Have you applied for the Employee Retention Credit, a refundable tax credit available to employers who did not receive a PPP loan?

0% 1. Yes

100% 2. No

Q18 Do you anticipate having a net operating loss in 2020?

37% 1. Yes

42% 2. No

22% 3. I don't know.

Q19 If yes, do you plan to carryback a net operating loss when you file your 2020 taxes?

34% 1. Yes

2% 2. No

64% 3. I don't know.

Q20 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)?

25% 1. Yes

75% 2. No

Q21 If yes, have you claimed the tax credit (or an advance refund) for reimbursement of those costs?

38% 1. Yes

63% 2. No

Q22 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
- 26% 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.

Q23 How long do you think it will take before your local community is back to a pre-crisis level of economic activity?

- 5% 1. It is now
- 5% 2. By the end of 2020
- 59% 3. Sometime in 2021
- 24% 4. Sometime in 2022
- 8% 5. 2023 or later

Q24 How long will you be able to operate your business under current economic conditions?

- 2% 1. Less than 1 month
- 3% 2. 1-2 months
- 15% 3. 3-6 months
- 19% 4. 7-12 months
- 62% 5. More than 12 months

Q25 How involved are you in the daily operations of your business?

- 88% 1. 100%
- 8% 2. 75-99%
- 3% 3. 50-74%
- 1% 4. 25-49%
- 1% 5. 1-24%

Q26 How concerned are you about contracting Covid-19 yourself while operating your business?

- 13% 1. Very concerned
- 17% 2. Moderately concerned
- 34% 3. Somewhat concerned
- 36% 4. Not at all concerned

Q27 How concerned are you about your employees contracting Covid-19?

- 21% 1. Very concerned
- 21% 2. Moderately concerned

- 41% 3. Somewhat concerned
- 17% 4. Not at all concerned

Q28 Please classify your major business activity, using one of the categories of examples below.

- 16% 1. Construction (general contractor, painting, carpentry, plumbing, electrical, etc.)
- 13% 2. Manufacturing and mining
- 4% 3. Transportation, communication, public utilities (truckers, movers, broadcasters, etc.)
- 3% 4. Wholesale
- 19% 5. Retail and Restaurant
- 5% 6. Agriculture (veterinarian, forestry, landscaping, fisheries, etc.)
- 7% 7. Financial, insurance, real estate
- 23% 8. Services (auto repair, house cleaning, salon, etc.)
- 7% 9. Professional services (attorney, physician, skilled nursing, etc.)
- 4% 10. Other

Q29 Number of Employees

- 11% 1. No employees
- 12% 2. 1-2 employees
- 27% 3. 3-5 employees
- 14% 4. 6-9 employees
- 18% 5. 10-19 employees
- 12% 6. 20-49 employees
- 5% 7. 50-199 employees
- 1% 8. 200 or more employees

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