

# NFIB UPDATE

Weekly Briefing for Small Business

**Kathy Cook and Melissa Loder, U.S. Small Business Administration**

**Beth Milito and Holly Wade, NFIB**

**July 15, 2020 – Your EIDL and PPP Loan Questions Answered: SBA's Loan Experts Explain the Rules**




# DISCLAIMER

- The materials and information provided in this webinar and on NFIB's website are for informational purposes only and not for the purpose of providing legal or tax advice. You should contact your attorney and/or tax professional to obtain advice with respect to any particular issue or problem.
- This is based on information available by 6/23/20.
- For the latest, visit <https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>

# Agenda

1. Loan Updates
2. Small Business Administration Covid-19 Assistance
  - Kathy Cook, SBA, Public Affairs Specialist
  - Melissa Loder, SBA, Senior Area Business Opportunity Specialist
3. Q&A

# Upcoming NFIB Webinars

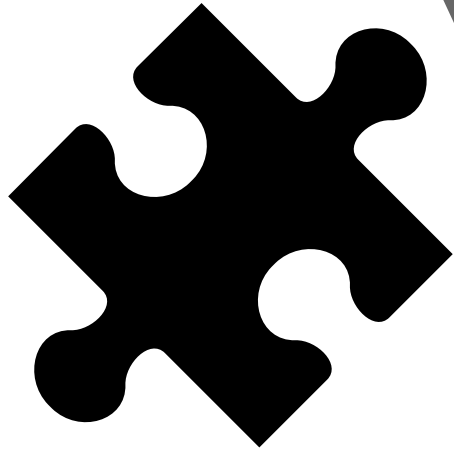
1. **July 22** – Holly & Beth take a DEEP DIVE  into completing the PPP Loan Forgiveness Application Live.
2. **July 29** – Q&A with Bridget Weston, Executive Director, **SCORE**, Beth and Holly on loans, reopening, and what's next for small business assistance.



[www.SCORE.org](http://www.SCORE.org)



Resources



**NFIB  
COVID-19  
Resources**

[NFIB Tip Sheet for Calculating PPP Loan Forgiveness](#)

[NFIB Coronavirus Resources](#)

[NFIB PPP Loan and EIDL Side-by-Side Comparison Chart](#)

[NFIB FFCRA Tax Credit Tip Sheet](#)

[NFIB EIDL Tip Sheet](#)

[info@nfib.org](mailto:info@nfib.org) – submit your questions!





## Get support for your small business through **MBAs Fight COVID-19**

MBAs Fight COVID-19 is a group of MBA students from business schools around the US working with small businesses to respond to the COVID-19 crisis.

We provide **pro bono consulting support** to help businesses think through a variety of topics, including:

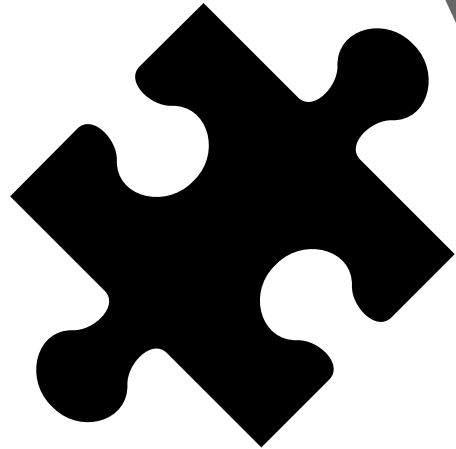
- Applying to federal funding programs (PPP, EIDL)
- Reaching more customers online
- Pivoting business strategy
- ...and more!

To learn more about MBAs Fight COVID-19 and to get matched with an MBA student, email

[Elizabeth.Milito@nfib.org](mailto:Elizabeth.Milito@nfib.org)



# Paycheck Protection Program (PPP)







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## PPP Loans Still Available!

- The interest rate will not exceed 4%; currently fixed at 1.0%.
- Eligibility:
  - Small businesses as defined by SBA size standards, generally up to 500 employees, but up to 1,500 employees depending on the sector as certain sectors are based on revenue.
  - Sole proprietors, the self-employed, and independent contractors.
- Regulatory Streamlining:
  - SBA's standard "no credit elsewhere" test is waived.
  - No personal guarantee or collateral required.
  - No additional fees will be applied to these loans.
- Size of loans: Up to \$10 million. Loan amount is based on recent payroll costs, compensation paid to individuals, including the self-employed.



# Paycheck Protection Program (PPP)

- Requirements: The business must certify the loan will be used to retain workers, maintain payroll, make mortgage or lease payments, and pay utilities.
- Loans may be forgiven, up to an amount equaling eligible payroll (at least 60% of loan to achieve 100% forgiveness), mortgage interest, rent and utility cost, incurred during the 8-week or 24-week covered period starting from loan origination.
- Compensation in excess of \$100,000 a year to any individual, independent contractor or sole proprietor will not qualify for forgiveness.
- Non-payroll costs cannot make up more than 40% of the loan forgiveness amount
- Loan forgiveness may be reduced by layoffs or pay reductions in excess of 25% (but exceptions and safe harbors apply)
- Loan forgiveness is not treated as taxable income.
- Applications close August 8, 2020.



# PPP Forgiveness Eligible Payroll Costs

- Wages paid
- Health Insurance\*
- Retirement plan contributions\*
- Employer portion of state & local taxes assessed on employee compensation
- For each individual employee total amount of cash compensation eligible for forgiveness cannot exceed annual salary \$100K capped for 24-week period at \$46,155 or \$15,385 for 8-week period
- For owner-employee replacement compensation is capped at 2.5 months' worth of 2019 net profit, up to \$20,833. \*Review NFIB's forgiveness tip sheet for owner-employee health insurance and retirement eligibility.\*

# PPP Forgiveness Eligible Non-Payroll Costs

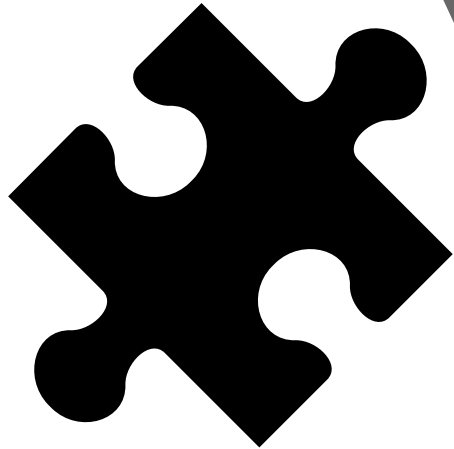
- Covered mortgage obligations - Interest payment on real or personal property as long as the obligation existed prior to February 15, 2020
- Covered rent obligations – Business rent/lease payments for real or personal property so long as the rent/lease was in place before February 15, 2020
- Covered utility payments – Utilities for the business (electricity, gas, water, transportation, telephone, and internet access), for which service was in place before February 15, 2020
- Eligible Nonpayroll Costs must be:
  - **Paid** during the Covered Period (without proration); **OR**
  - **Incurred** during the Covered Period and paid on or before the next regular billing date, even if the billing date is after the Covered Period

# PPP Forgiveness Forms

- [Form 3508EZ](#) and [instruction](#) – 2-page form. Three categories eligible to use the EZ form.
- [Form 3508](#) and [instructions](#) (long form) – 5-page form, including Schedule A and Schedule A Worksheet.
  - ✓ [NFIB PPP Loan Forgiveness Tip Sheet](#)
  - ✓ [AICPA PPP Loan Forgiveness Calculator](#)

A borrower may submit a loan forgiveness application any time on or before the maturity date of the loan – including before the end of the covered period – if the borrower has used all of the loan proceeds for which the borrower is requesting forgiveness.

# Economic Injury Disaster Loan (EIDL)



# Economic Injury Disaster Loan (EIDL)



**OPEN!**

## **SBA STILL ACCEPTING EIDL APPLICATIONS!**

- The SBA EIDL offers long-term, low interest loans for small businesses and non-profits affected by COVID-19.
- Eligibility: Businesses with 500 employees or fewer. Includes sole proprietorships, independent contractors, cooperatives, ESOP's and tribal small business with  $\leq 500$  employees.
- Credit check required for loan applicants.
- The interest rate on EIDLs will be 3.75% interest rate for small businesses.
- The first twelve payments will be deferred and not become due until one year after the original disbursement. Interest does accrue during this time.
- The term of these loans will be up to 30 years.
- EIDL can be used to cover payroll and inventory, pay debt, or fund other business expenses.
  - [Apply for EIDL here.](#)



# EIDL Basics

## What is the criteria for a loan approval?

Credit History-Applicants must have a credit history acceptable to SBA.

Repayment -SBA must determine that the applicant business has the ability to repay the SBA loan.

Eligibility- The applicant business must be physically located in a declared county and suffered working capital losses due to the declared disaster, not due to a downturn in the economy or other reasons.





# EIDL Terms

## **How much can I borrow?**

Eligible entities may qualify for loans up to \$150,000.

The interest rates for this disaster are 3.75 percent for small businesses and 2.75 percent for nonprofit organizations with terms up to 30 years.

Eligibility for these working capital loans are based on the size (must be a small business) and type of business and its financial resources.

## **How can I use the loan funds?**

These working capital loans may be used to pay fixed debts, payroll, accounts payable, and other bills that could have been paid had the disaster not occurred. The loans are not intended to replace lost sales or profits or for expansion.



# EIDL Differs from Other SBA Loans

SBA's Economic Injury Disaster Loan (EIDLs) funds come directly from the U.S. Treasury.

Applicants do not go through a bank to apply. Instead apply directly to SBA's Disaster Assistance Program at: [DisasterLoan.sba.gov](https://disasterloan.sba.gov)

There is no cost to apply.

There is no obligation to take the loan if offered.

The maximum unsecured loan amount is \$25,000.

Applicants can have an existing SBA Disaster Loan and still qualify for an EIDL for this disaster, but the loans cannot be consolidated.



# How to Apply

- Applicants may apply online using the Electronic Loan Application (ELA) via SBA's secure website at <https://disasterloan.sba.gov/ela>.
- Paper loan applications can be downloaded from [www.sba.gov/disaster](http://www.sba.gov/disaster). Completed applications should be mailed to: U.S. Small Business Administration, Processing and Disbursement Center, 14925 Kingsport Road, Fort Worth, TX 76155.
- Disaster loan information and application forms may also be obtained by calling the SBA's Customer Service Center at 800-659-2955 (800-877-8339 for the deaf and hard-of-hearing) or by sending an email to [disastercustomerservice@sba.gov](mailto:disastercustomerservice@sba.gov).



Melissa Loder, MPA, FAC-C  
Senior Area Business Opportunity Specialist  
West Virginia District Office  
**U.S. Small Business Administration**



Kathy Cook  
Public Affairs Specialist  
Field Operations Center - East  
**U.S. Small Business Administration**

