

COVID-19 Cash Assistance for Companies under the CARES Act

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was approved by the House and signed by President Trump, injecting an estimated \$2 trillion into the U.S. economy. This relief will go to individuals, companies, non-profits and state and local governments. Since small businesses are especially vulnerable during a crisis, Congress has allocated \$377 billion in assistance to these companies. Most of this funding is included under the Paycheck Protection Program and will be in the form of low- interest loans, which can be forgiven if certain conditions are met, effectively converting the loans to cash grants.

Does your company qualify as a "small business"?

The CARES Act defines a small business as one with 500 employees or less OR the size standard set forth by the Small Business Administration (SBA). This allows companies in certain industries to qualify for these loans with up to 1,500 employees or revenues of up to \$41.5 million. Check whether your company qualifies as a small business [here](#).

The SBA normally looks at affiliates when determining the number of employees, but has relaxed this requirement under the emergency relief for the food and accommodation sector, franchises and businesses receiving assistance from §301 small business investment companies.

The bulk of the budget allocated to small businesses is \$349 billion allocated to the SBA to provide loans of up to \$10 million per small business.

The remaining budget is allocated to emergency grants of up to \$10,000 to cover immediate costs, as well as deferral of six months of any existing SBA loan payments.

What conditions must be met for loans to be forgiven?

The loan principal is forgiven if the business keeps the same average payroll at the time of the loan through the end of June 2020. Additionally, to be forgiven, the loan proceeds must be spent on payroll, rent or mortgage and existing debts.

Payroll is defined rather broadly, including wages, commissions, cash tips as well as vacation pay, family or medical leave not covered elsewhere, dismissal or separation payments, health care premiums, and state and local payroll taxes. There are limits, though. Qualifying payroll under the Act does not include any salaries in excess of \$100,000 on an annualized basis, federal employment taxes or salaries paid to employees with a principal place of residence outside the U.S. And while payments to independent contractors would not qualify as costs to a small business, the Act allows for independent contractors to apply for a loan as a small business.

How is the maximum loan amount calculated?

The maximum loan amount is calculated by multiplying the average monthly payroll costs incurred in the one-year period prior to date the loan is made (shorter periods apply for seasonal workers) plus any outstanding SBA disaster loan made after January 31, 2020 and refinanced under this new program.

For businesses that were not in existence last year, the maximum is calculated by multiplying the average monthly payroll costs incurred between January 1, 2020 and February 29, 2020 plus any outstanding SBA disaster loan made after January 31, 2020 and refinanced under this new program.

In either event, the maximum loan cannot exceed \$10 million.

How we can help

Beginning April 3, 2020, small businesses and sole proprietorships can apply. Beginning April 10, 2020, independent contractors and self-employed individuals can apply. There is a funding cap, so we are encouraging clients to apply quickly

Duff & Phelps' [Site Selection and Incentives Advisory](#) team can help your company determine your qualification for a loan, assistance with or review the loan application, and help with the reporting and compliance to convert the loan into a grant.

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