What the federal CARES Act means for small businesses

Congress has approved the Coronavirus Aid, Relief and Economic Security (CARES) Act, and the bill was signed into law by President Trump on March 27. In addition to the widely publicized payments going directly to most people in the U.S., there are numerous provisions specifically to help businesses, including more than $376 billion in relief for small businesses struggling due to the COVID-19 pandemic.

Is there any help for making payroll?

The CARES Act includes $349 billion for the Paycheck Protection Program (PPP), which provides 100% guaranteed low-interest, no-fee loans of up to $10 million with repayment deferred for at least six months, as well as forgiveness of up to 100% of the loan if the borrower has retained the same number of employees as when they received the loan.

Do I qualify for the PPP loans?

Small and medium-sized businesses of up to 500 employees, as well as nonprofits, independent contractors, and those who are self-employed, are eligible.

Franchises and hotels with multiple locations will qualify but are limited to the maximum loan size that businesses with one location are subject to.

What is the timeframe for the PPP loans?

Businesses can get a loan to cover up to 2.5 months of payroll and any new Economic Injury Disaster Loans incurred because of COVID-19, but the total cannot exceed $10 million.

The program is open until June 30, 2020, as it is intended for immediate payroll relief to ensure businesses do not do mass layoffs during this crisis.

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What if I’m not eligible for a PPP loan?

An employee retention tax credit is available for struggling businesses that are not eligible or choose not to participate in the PPP. Any business that has been forced to fully or partially suspend operations, or that has seen a significant drop in revenues, is eligible for a 50% credit for wages paid to furloughed or reduced-hour employees.

For businesses with 100 employees or less, the credit is based on all wages paid, regardless of whether an employee is furloughed. There is an overall limit on wages per employee of $10,000. The credit can be claimed against the business’s quarterly payroll tax liability and is fully refundable to the extent of excess. There will also be options to receive advance payments. Small business owners should look out for information at IRS.gov and talk to their payroll service provider, as applicable.

What other business-related measures are part of the CARES Act?

- $562 million in economic injury disaster loans through the Small Business Administration, in addition to $10 billion in direct SBA grants, and $17 billion for six months of principle and interest payments on SBA loans. SBA assistance can be accessed at SBA.gov (search for “Disaster Assistance”). Those with questions can contact 800.659.2955 or disastercustomerservice@sba.gov.

- $1.5 billion in economic adjustment assistance to rebuild impacted industries like tourism or manufacturing supply chains through low-interest business loans.

- $50 million in manufacturing extension partnerships to help small- and medium-sized manufactures find value within the supply chain and expanding markets.

Where can I learn more?

- Aurora-South Metro Small Business Development Center – Aurora-SouthMetroSBDC.org
- Aurora Chamber of Commerce – AuroraChamber.org
- Small Business Administration – SBA.gov
- U.S. Chamber of Commerce - USchamber.com
- IRS – IRS.gov/coronavirus

For more information on the CARES Act and how it specifically impacts businesses in Aurora, please contact Luke Palmisano at lpalmisa@auroragov.org or 303.739.7781.