

COVID-19

Small Business Assistance from the State and Federal Government

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COVID-19 Relief Efforts for Business

Federal and State governments have implemented programs to assist business owners during this unprecedented time of crisis.

The goal of the federal and state government is to keep businesses open. They are offering financial aid which helps you pay your rent, utilities, and your employees.

Today we will look at some of the options that are available to help you between now and the time you are once again "Open For Business".

MARYLAND

The State released its COVID-19 Business Response on Monday March 23, 2020.

To qualify for these programs the business must demonstrate financial stress or disrupted operations due to reduced sales, increased prevention costs, and other related COVID-19 expenses.

The State is offering the following resources for businesses to be used in conjunction with your bank, business interruption insurance, and financial partners/investors.

Maryland Small Business COVID-19 Emergency Relief Grant Fund

- The grant offers working capital to assist MD small businesses with disrupted operations due to COVID-19.
- The grant of up to \$10,000, cannot exceed 3 months operations expenses.
- Business must employ no more than 50 employees.
- Business must be established prior to March 9, 2020, and be in Good Standing with MD SDAT.
- Annual Revenues may not exceed \$5M.

<https://commerce.maryland.gov/fund/maryland-small-business-covid-19-emergency-relief-grant-fund>

Maryland
Small Business
COVID-19
Emergency
Relief Loan
Fund

- This loan may be used as working capital to support payroll expenses, rent, mortgage payments, utilities, or other similar expenses that occur in the ordinary course of operations.
- Loans are a maximum \$50,000 over a term of 48 months. The loan amount will not exceed 3 months of operating expenses.
- The business must employ fewer than 50 employees.
- Loan terms are 0% for the first 12 months, and 2% for the remaining 36 months.

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Maryland Small Business COVID-19 Emergency Relief Loan Fund

- Deferral of any loan repayments for the first 12 months will be added to the loan amortization beginning month 13, through month 36. A deferral will effectively make this a 36 month loan, with an interest rate of 2%.
- Applicant must have W-2 employees on their payroll.
- Applicant must submit 2 years of financial statements, and a current year financial statement.
- Business must also submit a 6-month pro forma estimate of lost revenue, or other documented loss evidence
- Applicant must have a personal credit score of 575. No collateral requirements.

<https://commerce.maryland.gov/fund/maryland-small-business-covid-19-emergency-relief-loan-fund>

Maryland
COVID-19
Emergency
Relief
Manufacturing
Fund

This fund will grant manufacturers up to \$100,000 to produce Personal Protective Equipment (PPE) and other critical items that are urgently needed by the state, hospitals and healthcare facilities, and emergency first responders.

Will be available to manufacturers to increase existing capacity to produce these critical need items and/or quickly pivot operations to produce these critical need items.

MD DLLR
Employer and
Worker
Assistance
Grant: Layoff
Aversion Fund

- Provide businesses with the funds to purchase remote access equipment and software to allow employees to work at home.
- Assist businesses in paying for on-site cleaning and sanitation services.
- Can also be used for employee online training/seminars, which can be used to fill time the employee may have due to increased down time.
- \$7M maximum fund, so apply NOW

<http://www.labor.maryland.gov/employment/covidlafund.html>

Small Business Administration (SBA) Loans

On March 19, 2020, the entire state of Maryland received small business status.

This status qualifies any Maryland business to apply for low-interest SBA loans through the Economic Injury Disaster Loan Program.

<https://www.sba.gov/funding-programs/disaster-assistance>

Maryland Bankers Association

This association represents the banking industry in Maryland.

The association (MBA) recommends that if businesses are experiencing hardships due to COVID-19, which may affect their ability to make loan payments, they should contact their lender immediately.

The website shown below will take you to MBA Coronavirus related resources. On this webpage there is a list of Maryland banks. Each bank can be clicked on individually, which will take you to their COVID-19 page, where the selected bank will explain their policies regarding COVID-19, contact information, business loan information, etc.

<https://www.mdbankers.com/coronavirus-related-resources.html>

Maryland Business Licensing & Permits

Governor Hogan signed an Executive Order stating that all licenses, permits, registrations, and other authorizations issued by the State and its agencies, that would expire during the current state of emergency, are automatically extended until at least the 30th day after the state of emergency is lifted.

FEDERAL

On March 27, 2020 the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law.

The CARES Act provides an unprecedented level of emergency assistance for businesses affected by the Coronavirus epidemic.

Federal Paycheck Protection Program

The legislation includes the Paycheck Protection Program, administered by the SBA.

This provides loans to eligible entities with such loans being subject to forgiveness under certain circumstances. The loans are 100% federally-guaranteed.

The loans may be used for a variety of purposes, including payroll costs, rent, utilities, mortgage interest, and interest on debt existing prior to February 15, 2020.

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Federal Paycheck Protection Program

Eligible entities are those with less than 500 employees, including, but not limited to the following:

- Businesses
- 501(c)(3) nonprofit organizations
- Veterans organizations
- Eligible self-employed individuals
- Independent contractors
- Sole proprietorships

Federal Paycheck Protection Program: Maximum Amount

Loans are available for the lesser of the average monthly payroll costs (AMP), multiplied by 2.5, and \$10M.

AMP costs are calculated based on the one-year period prior to the loan date, except for seasonal employers, and employers not in business between 2-15-19 and 7-30-19.

In the case of seasonal employers, you may calculate the AMP based on the 12-week period starting 2-15-2019, or the period starting 3-01-19 through 6-30-19.

New employers not in business between 2-15-19 and 7-30-19 can calculate AMP based on the period beginning 1-1-2020 through 2-29-2020.

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Federal Paycheck Protection Program: Maximum Amount

Payroll costs DO include:

- Employee salary, wages and commissions
- Payment of cash tips
- Payment of vacation and varieties of leave
- Allowance for dismissal or separation
- Group health benefits, including premiums
- State unemployment tax cost
- Sole proprietor income and independent contractor compensation not in excess of \$100,000

Federal Paycheck Protection Program: Maximum Amount

Payroll costs DO NOT include:

- Compensation of one in excess of \$100,000
- Federal unemployment or employee withheld taxes
- Compensation to individuals outside of US
- Qualified sick leave under Families First Coronavirus Response Act
- Qualified family leave wages under Families First Coronavirus Response Act

Federal Paycheck Protection Program: Terms

Loans are available up to 10-years (amortized) at 4% interest, with six to twelve months deferral of principal and interest payments.

The following apply:

- No personal guarantee of shareholders, members, or partners
- No collateral
- No proving recipient cannot obtain funds elsewhere
- No SBA fees (may still have to pay lender processing fee)
- No prepayment fee

Federal Paycheck Protection Program: Application Process

Eligible entities should apply with an SBA approved lender. Lenders have been delegated authority to make loans without SBA review.

Eligible applicants will have been in operation on February 25, 2020, and will have paid employees and payroll taxes or independent contractors.

Applicants must prove loan is necessary and will be used to retain employees and pay eligible expenses.

Must certify no other loan for the same purpose is pending and that the entity has not received a loan for same purpose through 12-31-2020.

Federal Paycheck Protection Program: Loan Forgiveness

The forgiven amount will be equal to the amount actually paid for payroll costs, salaries, benefits, rent, utilities and mortgage interest during the 8 weeks following the disbursement of the loan.

Forgiveness will be scaled back if the business has a reduction in employees, salaries or wages.

Reductions in workforce, salaries and wages that occur from 2-15-20 to 4-26-20 will be disregarded for purposes of reducing the forgiveness amount, as long as the reductions are eliminated by 6-30-20.

Federal
Paycheck
Protection
Program:
Loan
Forgiveness

WORKFORCE REDUCTIONS: calculated by the initial forgiven amount multiplied by the quotient of average FTEs during the 8 week period, divided by the average FTEs for the period 2-15-19 through 6-30-19, or 1-1-20 through 2-29-20, as determined by the loan recipient.

SALARY OR WAGE REDUCTIONS: determined by the amount of any salary or wage decrease in excess of 25% of the total salary during most recent full quarter.

Federal Paycheck Protection Program: Payroll Tax Deferral

The CARES Act includes a provision related to the deferral of the employer portion of Social Security taxes. There is no deferral for any employee withholding, employer Medicare taxes, or employer unemployment tax.

Employers have the option to defer employer Social Security taxes from 3-27-2020 through 12-31-2020. Deposits of the employer portion of the SS tax incurred during the deferral period shall be considered paid timely if paid by the due dates below:

- 50% of the ER deferred SS tax paid by 12-31-2021
- 50% of the ER deferred SS tax paid by 12-31-2022

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Federal
Paycheck
Protection
Program:
Payroll Tax
Deferral

Taxpayers who receive loans under this Act, and have forgiveness as provided in the Act, are not eligible for the payroll tax deferral.

Federal
Paycheck
Protection
Program:
50%
Refundable
Payroll Tax
Credit

Employers are eligible for a 50% refundable payroll tax credit on wages paid up to \$10,000 during the crisis. It is available to employers whose business is disrupted due to virus-related shutdowns, and firms experiencing a decrease in gross receipts of 50% comparable to same quarter last year.

CARES Act:
Other
Information-
NOLs

Net Operating Losses (NOLs):

Firms may take NOLs earned in 2018, 2019, or 2020, and carry back those losses five years. The NOL limit of 80% of taxable income is also suspended, so businesses may use the NOLs they have to fully offset their taxable income.

CARES Act:
Other
Information-
Retirement
Account
Distributions

Retirement Account Distribution:

10% early withdrawal penalty is waived on retirement account distributions for taxpayers facing virus-related challenges.

Withdrawn amounts are taxable over 3 years, but taxpayers can recontribute the withdrawn funds into their retirement accounts for 3 years without affecting annual retirement account contribution caps.

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CARES Act:
Other
Information-
Retirement
Account
Distributions

Retirement Account Distribution:

Eligible retirement accounts include individual retirement accounts (IRAs), 401(k)s and other qualified trusts, certain deferred compensation plans, and qualified annuities.

The bill also waives RMD rule for certain retirement plans in calendar year 2020.

Contact Graber & Associates for Assistance

We understand this process can be complicated, and Graber & Associates are here to help you complete your application and achieve maximum loan forgiveness.

If you need assistance as you navigate these new programs, please contact us.

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