



CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT SMALL BUSINESS PROVISIONS

Paycheck Protection Program

The measure would establish a new Paycheck Protection Program to let small businesses, nonprofits, and individuals seek loans through the Small Business Administration's [7\(a\) Loan Program](#).

The measure would authorize \$349 billion in total 7(a) lending from February 15 through June 30.

It would also provide \$349 billion for the SBA to fully guarantee loans under the new program, compared with a 75% or 85% guarantee for standard 7(a) loans.

Loans would be available during the covered period for:

- Any business, nonprofit, veterans' group, or tribal business with 500 or fewer employees, or a number set by the SBA for the relevant industry.
- Sole proprietors, independent contractors, and eligible self-employed workers.
- Hotel and food service chains with 500 or fewer employees per location.

Eligible recipients could receive loans for as much as \$10 million or 250% of their average monthly payroll costs, instead of \$5 million. Interest rates during the covered period would be capped at 4%.

Recipients could use the loans to cover eligible payroll costs -- including salaries, commissions, regular paid leave, and health-care benefits -- as well as mortgage interest and utility payments. They'd have to make a "good faith certification" that they'll use the funds to retain workers, maintain payroll, and pay for rent and similar expenses.

They couldn't use the funds to compensate individual employees at an annual rate above \$100,000, or to pay for emergency sick or family leave under the second coronavirus response package ([Public Law 116-127](#)).

The measure would waive rules requiring recipients to pay certain fees, provide collateral, or be unable to obtain credit elsewhere. SBA rules on company affiliates used to determine small business size would be waived for franchises, food or lodging companies with 500 or fewer employees, and businesses that get financial assistance from a small business investment company.

Approved 7(a) lenders could issue covered loans if they determine a business was operating with salaried employees or paid contractors as of Feb. 15. The measure would provide \$25 million for the Treasury Department to set criteria to allow additional insured banks and credit unions to participate.

The SBA would have to assume that eligible loan applicants in operation as of Feb. 15 were adversely affected by COVID-19 and require lenders to let them defer payments for at least six months and as long as one year.

Loans would receive a risk weight of 0% under banking capital rules, meaning banks and credit unions wouldn't have to set aside additional capital to cover them. Lenders that modify covered loans due to COVID-19 would be temporarily exempt from having to make certain disclosures related to troubled debt restructurings.

Loan Forgiveness

Recipients of SBA-guaranteed loans under the Paycheck Protection Program could apply for loan forgiveness over eight weeks for eligible payroll costs and for mortgage interest, rent, and utility payments.

The SBA would pay lenders for any canceled debt plus accrued interest. Lenders generally wouldn't be subject to enforcement actions under the Small Business Act related to loan forgiveness.

Loan forgiveness would be reduced for businesses that fire employees or cut their pay. Businesses could receive additional forgiveness for wages paid to tipped employees.

Covered loans would have a maximum maturity of 10 years following a borrower's application for forgiveness. The SBA would continue to guarantee remaining balances.

Canceled debt would be excluded from borrowers' gross income for tax purposes.

The measure also would authorize and provide \$17 billion for the SBA to pay the principal, interest, and associated fees for loans under the [7\(a\) Loan Program](#), the [504 Loan Program](#), and [Microloan Program](#) for six months.

SBA Economic Injury Disaster Loan Program Expansion

The measure would provide \$10 billion to expand the SBA's [Disaster Loan Program](#) from Jan. 31 through Dec. 31 to cover businesses, cooperatives, employee stock ownership plans, and tribal businesses with 500 or fewer employees, as well as sole proprietors and independent contractors.

The SBA would have to waive certain eligibility rules during the covered period for disaster loans made in response to COVID-19.

The measure also would authorize the SBA to advance as much as \$10,000 to existing and newly eligible disaster loan recipients within three days of receiving their applications. Recipients could use the advance funds to pay sick leave to employees affected by COVID-19, retain employees, address interrupted supply chains, make rent or mortgage payments, and repay debt. They wouldn't have to repay the advance funds.

The measure also would permanently expand the SBA's disaster loan program to cover small entities affected by emergencies for which the president determines the federal government has primary responsibility, as President Donald Trump did for the coronavirus outbreak.

Bankruptcy

The measure would allow businesses with as much as \$7.5 million in debt to qualify for a streamlined Chapter 11 bankruptcy process, increasing the [current debt limit](#) of \$2.73 million for eligible small businesses.

For one year following the bill's enactment, the measure would temporarily exclude federal payments related to the coronavirus from income calculations under Chapter 11 bankruptcy proceedings. It would also allow debtors experiencing hardship because of COVID-19 to modify existing bankruptcy reorganization plans.

Refundable Payroll Tax Credit

Credit is available to employers whose operations were fully or partially suspended due to a COVID-19-related shut-down order or whose gross receipts declined by more than 50% compared to the same quarter in the prior year.

For employers with over 100 full-time employees, credit is available on wages paid to employees when not providing services due to COVID-19.

For employers with 100 or fewer employees, all wages qualify for the credit.

Delay of Payment of Employer Payroll Taxes

Payment of employer-side Social Security taxes incurred for the rest of 2020 is deferred until January 1, 2021.

50% of the deferred amount is due by December 31, 2021 and 50% due by December 31, 2022.

Other Small Business Provisions

The measure also would provide:

- \$675 million for SBA salaries and expenses
- \$240 million for Small Business Development Centers and Women's Business Development Centers to assist small businesses affected by Covid-19, and \$25 million to establish an online platform with related resources

- \$25 million for the SBA inspector general
- \$10 million for the Commerce Department's Minority Business Development Agency (MBDA)

In addition, it would authorize:

- \$25 million for the SBA to provide resources and services in the 10 most commonly spoken languages in the U.S. other than English.
- \$10 million for the MBDA to provide nonmatching grants to minority business centers and chambers of commerce to advise minority-owned businesses how to respond to COVID-19.

The SBA would have to issue regulations to implement the measure within 15 days of enactment.

A limit on SBA 7(a) [Express Loans](#), which have a 36-hour turnaround, would be increased to \$1 million, from \$350,000, through the end of 2020.

The SBA couldn't guarantee more than \$100 billion in principal payments for its trust certificates from the date of the bill's enactment through Sept. 30, 2021.

It would have to reimburse small businesses receiving funds under the [State Trade Expansion Program](#) for financial losses related to foreign trade missions or trade show exhibitions that were canceled due to COVID-19.

The measure also would waive non-federal fund matching requirements for three months for certain women and minority business centers.