

Breakdown of COVID-19 Stimulus Package Passed by US Congress

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The US Congress has passed the \$2 trillion coronavirus economic rescue package that aids Americans affected by COVID-19. The bill currently awaits signature by President Trump. While the package offers relief in various forms, below are a number of ways that the bill offers help to businesses.

Payroll Incentive

Under the package, businesses are eligible to receive a tax credit for keeping idled workers on their payrolls during the coronavirus pandemic, so long as the businesses meet certain criteria. Businesses would get a refund for half of what they spend on wages, up to \$5,000 per worker.

In order to qualify, businesses must prove they took a 50 percent loss compared to the same quarter in years past. Importantly, to keep companies from double-dipping on aid under the bill, employers won't be able to get special SBA loans (described below) if they opt for the tax credit.

Employers and Self-Employed Individuals

Employers and self-employed individuals would be entitled to defer the 6.2 percent tax they pay on wages that is used to fund Social Security. The deferred tax would have to be paid over the following two years: half by Dec. 31, 2021, and the other half by Dec. 31, 2022.

Relief for Farmers and Ranchers

Nearly \$24 billion, including \$14 billion for an obscure Depression-era financial institution. The US Department of Agriculture (USDA) has wide discretion to use the \$14 billion to stabilize the farm economy. Another \$9.5 billion would be set aside for emergency aid for the agriculture sector, including cattle ranchers and fresh fruit and vegetable growers. More aid might be on the way.

\$10K Advances on Small Business Administration (SBA) Loans: The package makes available \$10 billion to provide grants in the form of \$10,000.00 advances to small businesses who apply for a Small Business Administration economic injury disaster loan. Available information indicates that

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these advances should come within just three days of applying and businesses need not repay the grant, even if the loan is denied. Small businesses, private nonprofits, sole proprietorships, independent contractors, tribal businesses and co-ops are eligible.

\$17 billion for small business and economic development loans: The package provides \$17 billion for “immediate relief” for small businesses that have existing SBA loans, including 7(a) loans for financial assistance and 504 loans for economic development. The SBA will cover all loan payments for existing borrowers, including principle and interest, for six months. There is also a six-month window after the bill is signed when small businesses can get “protection on payments and forgiveness” on the loans.

\$350 billion Small Business Rescue Plan: The bill includes a \$350 billion forgivable loan program designed to ensure that small businesses do not lay off employees.

Some of the key components are as follows.

- Covers all businesses with 500 or fewer employees
- Intended to assist existing workforce and help pay for other expenses like rent, mortgage, and utilities
- 4% interest rate
- No fee loans up to \$10 Million
- Administered directly by banks, and underwriting will essentially be waived; businesses must simply demonstrate that they were a viable business in early February and show their payroll costs before layoffs across the country began.
- Complex forgiveness program for up to the full loan amount but the borrower loses a portion or all of the forgiveness if more than a certain number of employees are terminated or if there is a reduction in salaries by more than 25%

Attorneys

Amy S. Rubin