



SBA RESOURCES FOR SMALL BUSINESS OWNERS

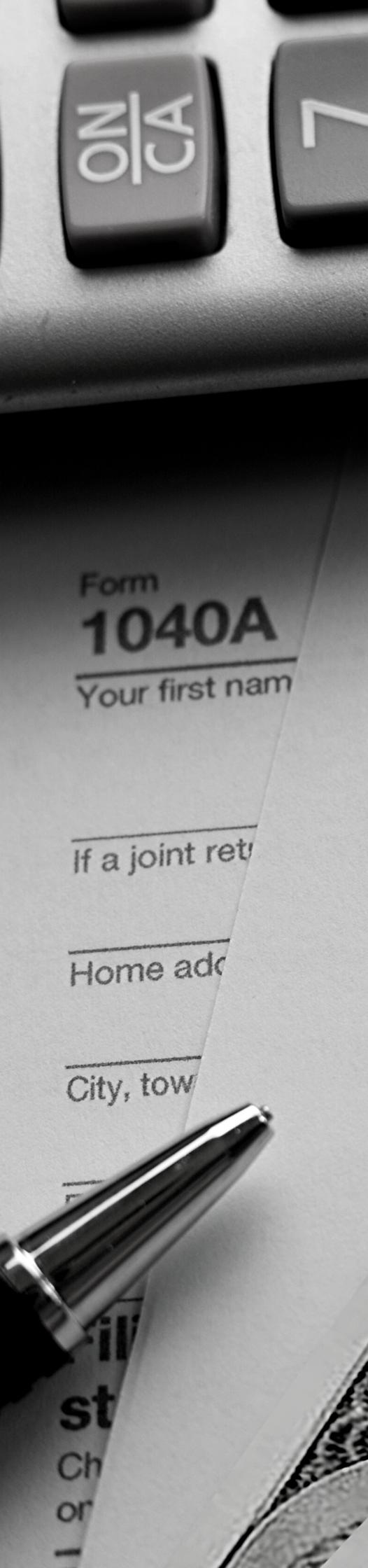
This guide is intended as a general overview and summary of a few of the resources available to small, for-profit businesses in the United States, and Pennsylvania for unemployment. While it focuses mainly on SBA-funded loans and grants under new laws, there are some resources at the end that are specific to the Pittsburgh area of Pennsylvania that you may also consider.



HARMON KENNEDY LAW

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See FAQs for recent changes to this e-book



A few things to know before you dive in:

- **This isn't detailed.** There are lots of nuts & bolts not covered here. It doesn't explain everything you might need to know. These laws total more than 1,000 pages, and cannot be neatly summarized in a few page overview, but we've picked out the biggest.
- **The information will change.** Have you ever heard how your laptop is outdated the day after you buy it? Well, this guide will be outdated most certainly by tomorrow. It's current (to the best of my knowledge) as of the date listed on the front, but there may still have been some changes over the last 48 hours or so that we haven't been able to capture. We're talking a constantly moving target here.
- **This isn't legal advice.** "Legal advice" is tailored towards your specific situation, and everybody will have a different situation for purposes of selecting the best program for them.
- **This isn't for every type of business.** We're assuming you own a for-profit company with less than 500 employees, or that you are self-employed (a sole proprietor, independent contractor, freelancer, etc). Other types of businesses (nonprofits, agricultural businesses, cooperatives, etc) will fall under some different rules.
- **Talk with your Financial Planner & CPA before taking out loans.** This isn't necessarily "free money" like we've been hearing. Make sure you have a solid financial plan for how you'll run your business in these next few months, how you'll deal with financial issues and potential repayment down the road (please don't just assume that loan forgiveness is "in the bag"), and how to best use these funds and whatever income your business has coming in now to make sure you're not just kicking the can down the road for a few months.





START HERE

What's your most pressing issue?

→ **How am I going to pay employees for the foreseeable future?**

Go to Section A, Page 3, about the Paycheck Protection Program.

→ **I need working capital to get through these next few months.**

Go to Sec. B, Page 6, about the Economic Injury Disaster Loan (EIDL) and Emergency Economic Injury Grant (EEIG)

→ **I'm worried about becoming delinquent on my pre-existing SBA loan.**

The Small Business Debt Relief Program may help you. We'll cover this in another Summary, or email heather@harmonkennedy.com for a resource sheet.

Also, there are FAQ's in the appendix, where we'll be making updates as needed!





SECTION A: Paycheck Protection Program (PPP)

Main Purpose: Part of the CARES Act. A main purpose is to keep payroll funded, some operating expenses covered, and avoid laying off employees. Loans are forgiven (essentially converting to “grants”) if payroll is maintained.

Who is Eligible?

- Small businesses who have been harmed by COVID-19. Generally, it’s assumed that if you were in business on Feb. 15, 2020, you have been harmed.
- Your business must have been in operation on Feb. 15, 2020.
- Your business must have fewer than 500 employees
- If you are a sole proprietor, self-employed, or an independent contractor, you can qualify
- Special rules for franchises

Loan Amount: Generally, loans are to cover 8 weeks of payroll costs. Loan amount is based off of the business’s monthly average payroll over the past year (calculation procedure differs if you’ve been in business less than a year or for seasonal businesses). Take your monthly average payroll and multiply it by 2.5 to get a ballpark estimate of the loan amount you may qualify for in the 2 month assistance period. The extra 0.5 is intended to help with mortgage interest, rent, and utilities. “Payroll Costs” include contributions to employee retirement plans, health insurance and various benefits packages. Reportedly, businesses can also roll in proceeds from EIDL, but it’s currently unclear whether that EIDL had to come before March 27, 2020 or if it can apply to EIDLs disbursed between now and June 30, 2020.

Interest Rate: Max. 4% if not forgiven

Loan Term: 10 years, if not forgiven. Principal & interest may be deferred up to 1 year

Loan Fees: None for SBA; Caps will be set for bank fees

Personal Guarantee: None

Collateral: None

Use it to Pay:

- Compensation (including wages, salaries, commissions, cash tip splits, etc.)
- Benefits - Vacation, medical, sick leave, family leave
- Benefits - Group health care insurance
- Severance benefits
- Retirement benefits
- Payroll Taxes
- Mortgage Interest
- Rent
- Utilities (electric, gas, telephone, internet, etc.)
- Interest on debts incurred before Feb. 15, 2020
- Re-hire employees you already had to lay off





Forgiveness: The devil is in the details with when/how the loan is forgiven, but for our purposes now, if you maintain your current payroll and otherwise comply with the program requirements, then you can request forgiveness from your lender equal to the amounts spent within 8 weeks after disbursement for payroll costs, mortgage interest, rent & utilities. Forgiveness will be reduced if you implement pay reductions in excess of 25% or lay off/terminate employees. If you re-hire employees who were previously laid off (or restore their hours if hours were cut) by June 30, 2020, you can still get forgiveness.

To request forgiveness, keep ahold of all documentation showing your payroll data (number of employees, pay rates), payroll tax data, unemployment filings, payment verification regarding mortgage obligations (amount of interest accrued and paid), lease obligations, and utility payments. You'll also need a representative to certify the truth and accuracy of the forgiveness request.

Application Deadline: June 30, 2020

Limitations:

- If an owner or employee's annual compensation is over \$100,000, caps are imposed
- Cannot be used to pay certain types of taxes
- Cannot be used for employees whose principal residence is outside of US
- Cannot be used to make mortgage principal payments (interest only)
- Not Eligible for Employee Retention Tax Credit if you take PPP
- Not Eligible for deferment of Employer Payroll Taxes
- Cannot be used for family/sick leave where credit is allowed under the Families First Coronavirus Response Act

Am I Eligible for other SBA loans if I get a PPP loan?

→ Yes ("yes, but..."). Borrowers taking PPP loans may also qualify for Economic Injury Disaster Loans (EIDLs), 7(a) loans, 504 loans, microloans, loans from loan lenders or Community Development Financial Institutions, or investments from Small Business Investment Corporations (SBICs).

→ **BUT** ... if you get a PPP loan, you can't double-dip for the same purpose, and vice versa. For example, if you get a PPP loan and use it to cover 8 weeks of payroll costs, you can't ALSO get another SBA loan to cover those same payroll costs in that same time period. However, you could use another SBA loan for payroll outside of those 8 weeks, or for additional workers not being funded by the PPP loan.

Am I eligible for the Emergency Economic Injury Grant (EEIG) or Emergency Industry Disaster Loan (EIDL) if I get a PPP loan?

→ Yes, BUT (same as above). Yes, but you can't double-dip and use them for the same thing.





Documents Checklist for PPP:

- Payroll Reports showing:
 - Employee wages for the past 12 months
 - Paid time off, vacation, sick pay, family medical pay, etc.
- State & local payroll taxes withheld
- 1099s to independent contractors
- Health Insurance Premiums over the past 12 months (get from your insurance company)
- Retirement Plan Contributions
 - Documents showing how much the company paid in profit sharing 401(k) plans, cash balance plans, SIMPLE and SEP IRAs, etc.

Timeline: Expected that loans can disburse by the end of next week (not guaranteed).

Where do I Start:

- (1) First, get ahold of your payroll provider to get your payroll reports, including actual payroll, along with qualifying benefits, retirement, insurance, payroll taxes, etc.
 - (2) Pull the Application form here: [Paycheck Protection Program Application Form](#)
 - (3) Then, start the application process with your local bank, beginning on April 3 -- Be patient. Banks will be overloaded with requests and getting their own systems in place for this program. Many local banks are already approved SBA 7(a) lender, and the Dept. of Treasury has already approved any federally-insured bank to write these loans. However, expect that some banks will need time to get their own systems in order, especially those who haven't done SBA 7(a) loans before.
- To know if your bank is already an SBA lender, check out:
 - [100 most active SBA 7\(a\) lenders.](#) This is just the list of the 100 "most active" -- there are other banks who are already 7(a) lenders, but not on this list. To know for sure, and to get the application process started, call your banker.
 - [Western Pennsylvania SBA Resource Guide](#), pages 29 - 31
 - Even if your bank was NOT a 7(a) lender already, they are likely approved to write these loans, based on Dept. of Treasury's recent guidance. However, that doesn't mean their systems are ready to hit the ground running on a new loan product. Please be patient.





SECTION B:

Economic Injury Disaster Loan and Emergency Economic Injury Grant

The EIDL must be repaid, but may have principal & interest deferred.

Application Deadline: December 31, 2020

Limitations:

- The company must have been able to meet these expenses if COVID-19 didn't happen
- Loans CANNOT be used to replace lost sales/lost profits or for expansion
- Loans CANNOT be used to refinance existing debt
- 50%+ owner's delinquent child support obligations
- Patience -- the system can get overloaded. Best times to apply are 7:00 pm - 7:00 am.
- Print a copy of the application in advance, fill it out completely, and collect **ALL** documents you'll need. That way, when you're able to log in, you can submit a complete application without scrambling for info. Incomplete applications will be sent to the back of the line.

Am I eligible for the Paycheck Protection Program if I get an Emergency Grant and EIDL?

- Yes. You can also refinance your EIDL into the PPP with the possibility of having both forgiven, to the extent they're used for expenses that qualify for PPP (See Sec. 1(A) above).
- BUT The EEIG Advance (up to \$10,000) will be deducted from the forgiveness under PPP.
- BUT the Grant/EIDL and the PPP cannot be used for the same purposes. It is recommended to have a plan in advance of everything you expect to have to pay for in the near future that you cannot cover (that you would have been able to cover without COVID-19), and allocate PPP proceeds to the 8-week payroll/mortgage interest/rent/utility portions, while allocating Grant & EIDL proceeds to other qualifying expenses.

Documents Checklist:

Within the past few days, this process has been simplified & streamlined. In addition to basic company and owner information, you should have this information ready when you submit your application:

- Date your business started
- Gross Revenues for Jan 31, 2019 - Jan 31, 2020
- Cost of Goods Sold for Jan 31, 2019 - Jan 31, 2020
 - For services businesses, check with your accountant to calculate this. You can also get guidance from [this article](#) (although I can't vouch for its accuracy).





The old version of the application required the following information.

You may be asked at a later stage in the application process to provide it, so be familiar with these in case you need them later:

- Completed Loan Application → SBA Form 5
 - Sole Proprietors (not LLCs or Corporations): Use SBA Form 5(C)
- Tax Information Authorizations for the business & its owners → IRS Form 4506T
 - Print, Sign & Scan these ahead of time.
- You'll need to upload them. Must match fed income tax returns exactly
- Business's most recent Federal Income Tax Return (full copy, plus schedules)
 - Have these saved on your computer (scan if necessary). You'll need to upload them.
- Schedule of Liabilities → SBA Form 2202
- Personal Financial Statement → SBA Form 413
- Other information that may be requested during the application process:
 - Most recent Federal Income Tax return (including schedules) for all company owners
 - Profit & Loss Statement for 2019, if no fed income tax return filed yet
 - Balance Sheet for 2019, if no fed income tax return filed yet
 - Current Profit & Loss Statement
- Monthly Sales Figures → SBA Form 1368
- Gross Revenues for Jan 31, 2019 - Jan 31, 2020

Application Tips:

- **Make sure you select the correct business type to be taken to the correct form.** LLCs and corporations have a different application form than sole proprietors who don't have an LLC or corporation. **This is your business entity type and NOT your tax filing status.** For example, if you have an LLC registered with the state, but you file taxes as a sole proprietor or an S-Corp, you will select "Limited Liability Company" during Step 1.
- **Legal vs. Trade Name.** For many companies, these will be the same. However, if you're a sole proprietor named John Doe and you do business as "John's Painting," then your Legal Name is "John Doe" and your Trade Name is "John' Painting." Likewise, if you're an LLC registered as JD LLC, but you do business as "John's Houses," then your legal name is ABC LLC and your trade name is John's Houses.
- **OMB:** Write Down and save the OMB number at the top right-hand side of your application page.

Timeline: 3 days from receipt of application to pay out the advance/grant portion. Several weeks/a couple of months perhaps, to get through the loan process.





Where do I Start:

1. If you need more than the grant cash immediately, check with your local bank. The SBA will allow banks to issue bridge loans immediately, then once the EIDL disburses, you would use some of it to pay off the bridge loan. See Section C on the Express Bridge Loan Program.

2. Use the SBA's streamlined application online at: <https://covid19relief.sba.gov/#/>

3. Before entering any information, make sure you're on the "sba.gov" site -- not a ".com" and not a ".org", or anything else. These are NOT SBA Websites, and NOT what you're looking for!





SECTION C: SBA Express Bridge Loan Pilot Program

Main Purpose: To bridge the gap in the time between applying for an EIDL and receiving disbursement of the EIDL (these next couple months). Quicker, and less paperwork.

Who Qualifies:

- Businesses who already banked at an SBA Express Lender on March 13, 2020
- Businesses who have applied, or will apply, for an EIDL
- Business who qualify for an EIDL as outlined in Section B
- Business must have been in operation as of March 13, 2020

How Much: Up to \$25,000

How Long: Until your EIDL pays out. Your EIDL proceeds will first go towards repaying your bank for this bridge loan.

Interest Rate: Up to 6.5% over Prime

Other Terms: Largely mirror those above for EIDL

Where to Start: Your own bank. Start by asking if they're an SBA Express Lender. You can also look in the [Western Pennsylvania SBA Resource Guide](#), pages 29 - 31, for a list of SBA lenders.

Additional National Funding Resources:

(Source: US Chamber of Commerce Foundation)

[Facebook Small Business Grants Program](#)

[James Beard Foundation Food and Beverage Industry Relief Fund](#)

[Kiva US Small Business Loans](#)

[Opportunity Fund COVID-19 Small Business Relief Fund](#)

[Restaurant Workers Community Foundation COVID-19 Relief Fund](#)

[The Main Street Initiative by Mainvest](#)

[Verizon and LISC Small Business Recovery Fund](#)

[WaFd Bank Small Business Lifeline](#)





Pittsburgh-Area Resources

SBA - Pittsburgh District Office

(412) 395-6560

duqsbdc@duq.edu

Paramount Pursuits

(724) 385-0862

Chatham Center for Women's Entrepreneurship

(412) 365-1253

women-entrepreneurship@chatham.edu

Pittsburgh SCORE

(412) 395-6560

info.pittsburgh@scorevolunteer.org

Duquesne SBDC

(412) 396-1633

duqsbdc@duq.edu





APPENDIX FREQUENTLY ASKED QUESTIONS & UPDATES

PPP Program

Updated guidelines cap the interest rate at 0.5%

Different banks may request different documents - check with your banker to see what you'll need

Some banks require you to have received a loan from them in the past to qualify. Some banks, like Bank of America, have reportedly reversed this decision and now only require you to have an existing account. If you were previously told you didn't qualify because you didn't have a loan, check again and see if this has changed for your bank.

EIDL

We're hearing anecdotally that the 3-day advances are not paying out in 3 days.

During the application process, make sure you check the box right before submitting saying you'd like to be considered for the \$10,000 advance.

We do not yet know if the \$10,000 advance is automatically granted to each applicant, or only some applicants, or if it's reduced for smaller applicants.

It's recommended to print your confirmation page after your application is done, as we're also hearing there is no e-mail confirmation of receipt.

1) What if much of my payroll costs aren't mostly for payroll, but to pay independent contractors?

--> Do payments to independent contractors qualify for forgiveness?

- From my reading, I think it would qualify for forgiveness under Sec. 1102(a)(2)(A)(viii)(I)(bb). HOWEVER, based upon recent guidance from the SBA, it does not appear that they are interpreting this the same way. Recent guidance suggests that an employer cannot seek PPP to pay its independent contractors, and that the independent contractors must apply for their own loan.

2) How do I prove my business has lost revenue to qualify for PPP?

- Right now, it seems as though this will be self-certified. For example, on the PPP application, the owner/applicant must certify that "current economic uncertainty make this loan request necessary to support the ongoing operations," and that your application is supported essentially under penalty of perjury (federal law allowing for imprisonment and significant fines for making false statements in order to obtain funding). Basically, if you really don't need the funds (and yes, there are some industries out there that aren't seeing revenue losses from COVID-19), don't apply saying you do.

