





# CARES Act Overview

Overview of Small Business Resources  
provided under the Coronavirus Aid,  
Relief, and Economic Security Act

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We thank our professionals, service providers and partners nationwide as we diligently work together to ensure our properties are fully operational and able to deliver necessary goods and services to our community members. Many of our properties are on the front lines of this crisis and regarded by government authorities as serving essential functions such as grocery, pharmacy and medical.

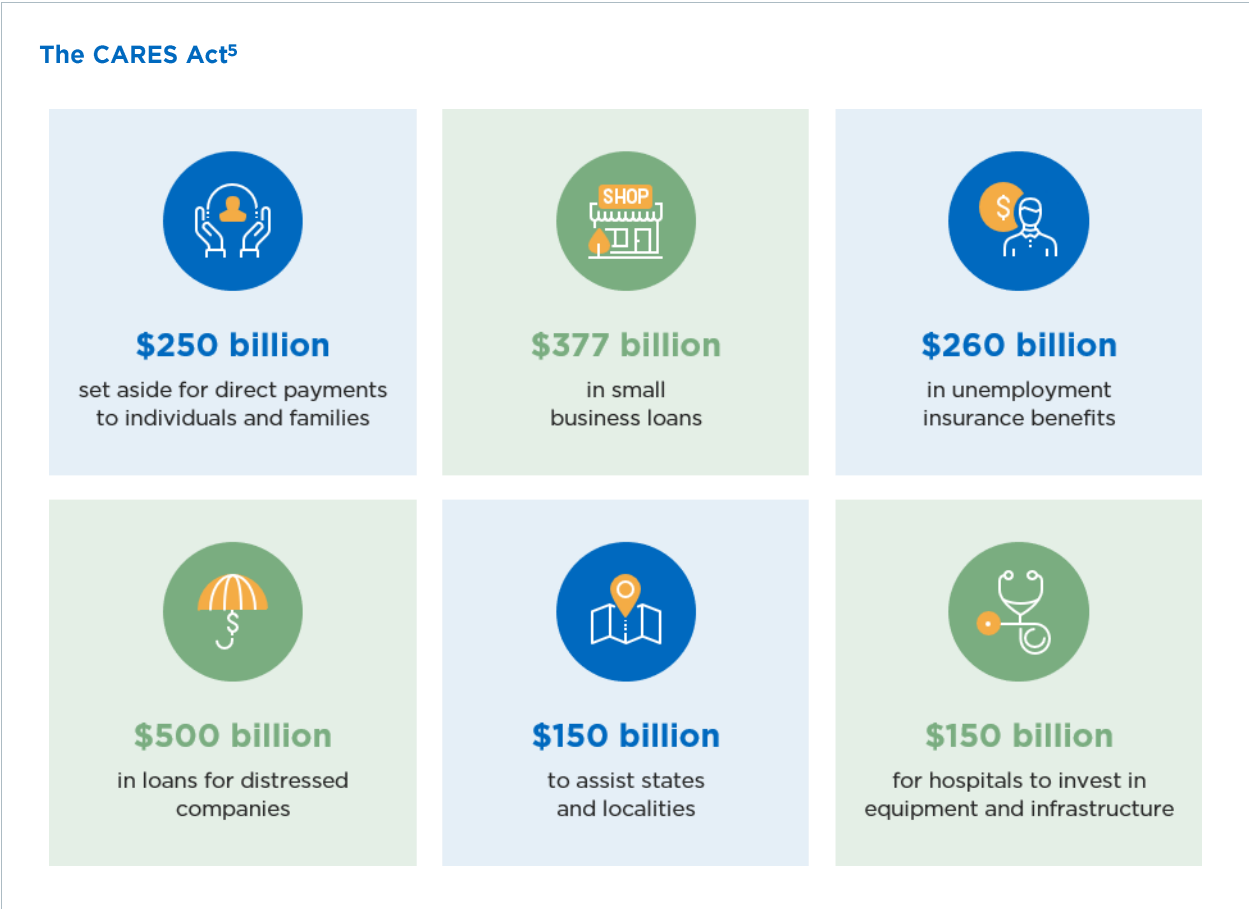
We are committed to prioritizing the safe and health of our professionals, tenants and community members as we implement our emergency protocols and aid our tenants in addressing the crisis and continuing to meet the needs of our communities.

# Background

On Friday, March 27, President Donald Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), a sweeping \$2.2 trillion package with relief to individuals and businesses impacted by the Coronavirus outbreak. The act provides for an estimated \$560 billion of cash payments and extra unemployment benefits for individuals, \$339.8 billion for state and local governments, \$500 billion for large corporations, \$377 billion for small business relief loans and grants, and \$223 billion for education, public health, and other.<sup>1</sup>

Included in the CARES stimulus package is approximately \$349 billion for a business loan program designed to bolster the financial status of small-businesses and employees and enable them to persevere during this period of economic hardship.<sup>2</sup> SBA Section 7(a) loans are commonly available through banks and other lenders, and the CARES Act expands on this lending platform through a new loan program – the “Paycheck Protection Program.”<sup>3</sup> The program, which is aimed at small and mid-size businesses including franchisors and franchisees, can be used for payroll support, paid sick or medical leave, employee salaries, mortgage, rent and utility payments, insurance premiums, and other debt obligations.<sup>4</sup>

An overview of the benefits offered by this program, eligibility, and additional lending information is outlined in the following sections of this document.



# Program Overview

## 1 PAYCHECK PROTECTION PROGRAM (PPP)

*The following section is a collection of excerpts from Coronavirus.gov<sup>6</sup>*

### **Purpose**

The Paycheck Protection Program ensures that small businesses can continue to pay employees and cover costs during this unprecedented health crisis. For up to eight weeks, this program can be used to cover the entire cost of payroll and other eligible expenses.

### **Who is Eligible?**

Small Businesses, Non-profits, Veterans Groups, and Tribal Groups with fewer than 500 employees. Businesses in certain industries can have more than 500 employees if they meet the SBA's size standards for those industries.

### **Loan Details**

- You can apply through your local bank.
- Thousands of banks, credit unions, and other lenders will be available to make these loans, including lenders in your local area.
- Loans of up to \$10 million can be used to cover payroll, paid sick leave, insurance premiums, rent, utilities, and mortgage payments.
- If you retain your full staff and payroll, all of your eligible expenses for up to eight weeks will be 100% forgiven.
- You will need to complete the Paycheck Protection Program loan application form with the required documentation and submit the application to an approved lender that is available to process your application by June 30, 2020.
- Details of which local bank you can contact to apply will be available in the coming days. Check back for more information.

## 2 SMALL BUSINESS ADMINISTRATION LOAN FORGIVENESS

### **Purpose**

The CARES Act includes forgiveness of loan payments for most existing SBA loans. Once implemented, you will not have to make your next six months of loan payments.

### **Who is Eligible?**

Small business owners participating in the 7(a), Community Advantage, 504, or microloan programs.

### **Details**

- No action is required to receive this benefit.
- Payments due during this six-month period will never have to be repaid.
- This benefit can also apply to new borrowers.
- If you are currently having difficulties meeting your obligations, contact your lender about deferring your next payment.

## **3**

### **OTHER SBA LOAN OPTIONS**

#### **Purpose**

Economic Injury Disaster Loans (EIDL) are already available in all fifty states, Washington D.C., and territories to help small business owners continue to operate during this pandemic.

#### **Who is Eligible?**

Small Businesses, Non-profits, Tribal Businesses, and Cooperatives.

#### **Details**

- After applying, small businesses may be eligible for an up-front advance payment.
- This up-front advance payment does not have to be repaid.
- The full Economic Injury Disaster Loans are offered at a long-term, low-interest rate.

# How to Apply

*The following section is a collection of excerpts from U.S. Chamber of Commerce Coronavirus Emergency Loans Business Guide and Checklist<sup>7</sup>*

The Coronavirus Aid, Relief, and Economic Security (CARES) Act allocated \$350 billion to help small businesses keep workers employed amid the pandemic and economic downturn. Known as the Paycheck Protection Program, the initiative provides 100% federally guaranteed loans to small businesses. Importantly, these loans may be forgiven if borrowers maintain their payrolls during the crisis or restore their payrolls afterward. The administration soon will release more details including the list of lenders offering loans under the program. In the meantime, the U.S. Chamber of Commerce has issued this guide to help small businesses and self-employed individuals prepare to file for a loan.

## 1 AM I ELIGIBLE?

You are eligible if you are:

- A small business with fewer than 500 employees
- A small business that otherwise meets the SBA's size standard
- A 501(c)(3) with fewer than 500 employees
- An individual who operates as a sole proprietor
- An individual who operates as an independent contractor
- An individual who is self-employed who regularly carries on any trade or business
- A Tribal business concern that meets the SBA size standard
- A 501(c)(19) Veterans Organization that meets the SBA size standard

In addition, some special rules may make you eligible:

- If you are in the accommodation and food services sector (NAICS 72), the 500-employee rule is applied on a per physical location basis
- If you are operating as a franchise or receive financial assistance from an approved Small Business Investment Company the normal affiliation rules do not apply

**Remember:** The 500-employee threshold includes all employees: full-time, part-time, and any other status.

## 2 WHAT WILL LENDERS BE LOOKING FOR?

In evaluating eligibility, lenders are directed to consider whether the borrower was in operation before February 15, 2020 and had employees for whom they paid salaries and payroll taxes or paid independent contractors.

Lenders will also ask you for a good faith certification that:

1. The uncertainty of current economic conditions makes the loan request necessary to support ongoing operations

2. The borrower will use the loan proceeds to retain workers and maintain payroll or make mortgage, lease, and utility payments
3. Borrower does not have an application pending for a loan duplicative of the purpose and amounts applied for here
4. From Feb. 15, 2020 to Dec. 31, 2020, the borrower has not received a loan duplicative of the purpose and amounts applied for here (Note: There is an opportunity to fold emergency loans made between Jan. 31, 2020 and the date this loan program becomes available into a new loan)

If you are an independent contractor, sole proprietor, or self-employed individual, lenders will also be looking for certain documents (final requirements will be announced by the government) such as payroll tax filings, Forms 1099-MISC, and income and expenses from the sole proprietorship.

### 3 HOW MUCH CAN I BORROW?



**Loans can be up to 2.5 × the borrower's average monthly payroll costs, not to exceed \$10 million.**

#### NON SEASONAL EMPLOYERS:

##### Maximum loan

= 2.5 × Average total monthly payroll costs incurred during the year prior to the loan date

##### Maximum loan for businesses not operational in 2019

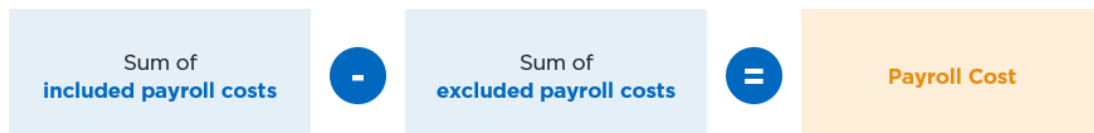
= 2.5 × Average total monthly payroll costs incurred for January and February 2020

#### SEASONAL EMPLOYERS:

##### Maximum loan

= 2.5 × Average total monthly payments for payroll costs for the 12-week period beginning February 15, 2019 or March 1, 2019 (decided by the loan recipient) and ending June 30, 2019

#### How do I calculate my average monthly payroll costs?



### **Included Payroll Cost:**

For Employers: The sum of payments of any compensation with respect to employees that is a:

- salary, wage, commission, or similar compensation
- payment of cash tip or equivalent
- payment for vacation, parental, family, medical, or sick leave
- allowance for dismissal or separation
- payment required for the provisions of group health care benefits, including insurance premiums
- payment of any retirement benefit
- payment of state or local tax assessed on the compensation of the employee

For Sole Proprietors, Independent Contractors, and Self-Employed Individuals: The sum of payments of any compensation to or income of a sole proprietor or independent contractor that is a wage, commission, income, net earnings from self-employment, or similar compensation and that is in an amount that is not more than \$100,000 in one year, as pro-rated for the covered period.

### **Excluded Payroll Cost:**

1. Compensation of an individual employee in excess of an annual salary of \$100,000, as prorated for the period February 15, to June 30, 2020
2. Payroll taxes, railroad retirement taxes, and income taxes
3. Any compensation of an employee whose principal place of residence is outside of the United States
4. Qualified sick leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act (Public Law 116-5 127); or qualified family leave wages for which a credit is allowed under section 7003 of the Families First Coronavirus Response Act

## **4**

### **WILL THIS LOAN BE FORGIVEN?**

Borrowers are eligible to have their loans forgiven.

How Much? A borrower is eligible for loan forgiveness equal to the amount the borrower spent on the following items during the 8-week period beginning on the date of the origination of the loan:

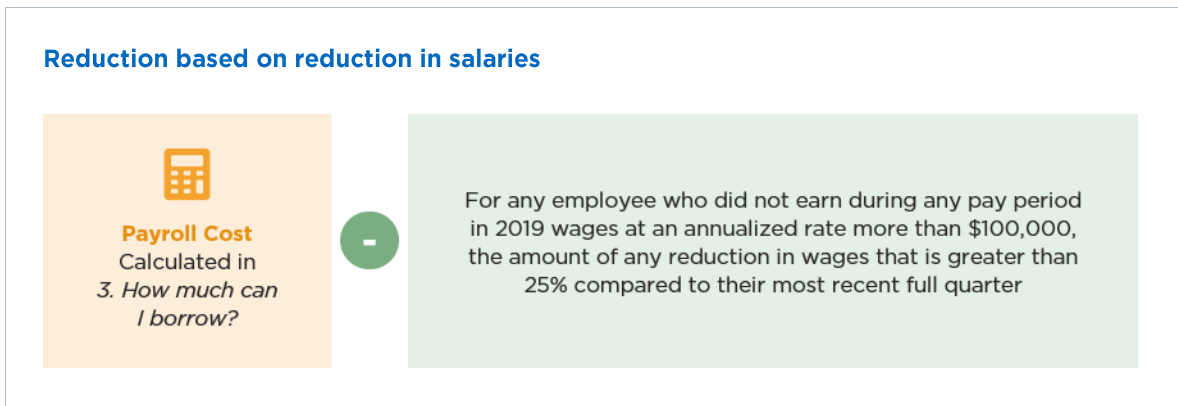
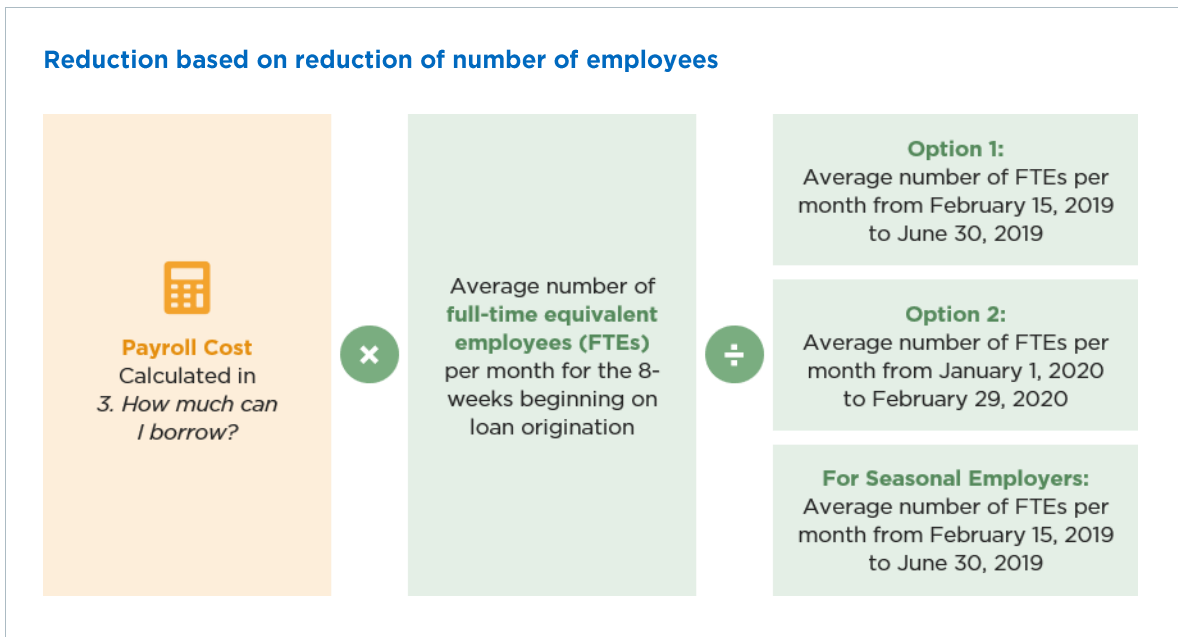
- Payroll costs (using the same definition of payroll costs used to determine loan eligibility)
- Interest on the mortgage obligation incurred in the ordinary course of business
- Rent on a leasing agreement
- Payments on utilities (electricity, gas, water, transportation, telephone, or internet)
- For borrowers with tipped employees, additional wages paid to those employees

The loan forgiveness cannot exceed the principal.



## How could the forgiveness be reduced?

The amount of loan forgiveness calculated above is reduced if there is a reduction in the number of employees or a reduction of greater than 25% in wages paid to employees. Specifically:




## What if I bring back employees or restore wages?

Reductions in employment or wages that occur during the period beginning on February 15, 2020, and ending 30 days after enactment of the CARES Act, (as compared to February 15, 2020) shall not reduce the amount of loan forgiveness IF by June 30, 2020 the borrower eliminates the reduction in employees or reduction in wages.



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## Endnotes

- <sup>1</sup> Snell, Kelsey. *What's Inside The Senate's \$2 Trillion Coronavirus Aid Package*, NPR, The Coronavirus Crisis Special Series (26 March 2020).
- <sup>2</sup> Lambert, Lance. *SBA small-business loans: 8 things to know about the Paycheck Protection Program*, Fortune (31 March 2020).
- <sup>3</sup> Marks, Tony. *CARES Act To The Rescue... Phase 3 Coronavirus Bill Cares About Small And Midsize Businesses, Franchisors And Franchisees*, Fortune (30 March 2020).
- <sup>4</sup> Cozen O'Connor. *Summary and Analysis of Key Provisions of the CARES Act* (28 March 2020).
- <sup>5</sup> Greenberg Traurig. *Congress Passes CARES Act: Overview of the Relief Available to Small and Other Business Concerns*, GT Alert (28 March 2020).
- <sup>6</sup> [Coronavirus.gov](https://www.covid19.gov/supporting-small-businesses), *Supporting Small Businesses*. Accessed 1 April 2020.
- <sup>7</sup> U.S. Chamber of Commerce. *Coronavirus Emergency Loans Business Guide and Checklist* (March 2020).