

SMALL BUSINESS GUIDE FOR FEDERAL EMERGENCY LOANS

tips + resources for understanding the 2020 CARES ACT

WHAT IS THE CARES ACT?

The Coronavirus Aid, Relief, and Economic Security (CARES) Act allocated \$350 billion to help small businesses keep their staff employed during the current economic downturn resulting from the Coronavirus pandemic.



Also Called: The Paycheck Protection Program

AM I ELIGIBLE? YES, IF YOU ARE

- A small business with fewer than 500 employees
- 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



There are special categories for additional businesses that might be eligible. These groups are listed on the US Chamber Website.

Lenders will not look for :

- That the borrower sought and was unable to obtain credit elsewhere.
- A personal guarantee is not required for the loan.
- No collateral is required for the loan.

WHAT WILL LENDERS BE LOOKING FOR?

Lenders have been directed by the federal government to consider whether the borrower was in operation before February 15, 2020 and had employees that they paid salaries and payroll taxes for or paid independent contractors for their work.

HOW MUCH CAN I BORROW?

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

Included for monthly payroll: salary, wage, commission, payment of cash tip, payment for vacation, parental, family, medical, or sick leave.

Excluded from monthly payroll: compensation of an individual employee in excess of an annual salary of \$100,000, payroll taxes, income taxes

Additional information about how to calculate monthly payroll cost can be found on the US Chamber Website.



WHAT IF I'M SELF EMPLOYED, CAN I STILL APPLY?

YES. YOU ARE ELIGIBLE.

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

WILL THIS LOAN BE FORGIVEN?

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

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HOW CAN I STREAMLINE THIS PROCESS?

Have these items already prepared for your lender:

- 2019 & 2018 complete copies, including all schedules, of the most recent Federal Tax Returns (personal and corporate).
- Personal returns for anyone owning more than 20% of any entity you are applying for
- Personal Financial Statement for anyone that owns more than 20% of the entity
- 2019 tax returns are not complete? Bring Year-end P&L and Balance Sheet 2020 YTD

WHAT CAN I DO RIGHT NOW?

Talk with your bank and other financial institutions you do business with- they can help compile documents to help you prepare for the loan application.

PERSONAL FINANCIAL STATEMENT? WHAT DO I NEED FOR THAT?

In order to fill-out the Personal Financial Statement, you will need a list of your assets and liabilities, real estate owned, stocks and bonds, and loans.

ADDITIONAL RESOURCES

- **Small Business Development Center**
<https://www.georgiasbdc.org/athens-office/>
- **US Small Business Administration,**
<https://disasterloan.sba.gov/ela/>
- **U.S. CHAMBER OF COMMERCE,**
<https://www.uschamber.com/coronavirus>

ARE YOU A DOWNTOWN ATHENS BUSINESS?

The Athens Downtown Development Authority (Athens DDA) is here to help! Have questions about the CARES Act or about what other resources are available to you and your business? Call an Athens DDA Director!

- Linda Ford at 706-424-2826
- David Lynn at 706-870-9447

