

Information on the CARES Act of 2020 Small Business and Non-profit Relief

“Our 150,000 small businesses in New Mexico are truly the heart of our economy –anchoring local communities, employing over 340,000 workers who work hard to support themselves and their families. We fought hard to pass \$377 billion in emergency funding to provide immediate relief to small businesses across the country. Now, Business owners are understandably worried not just about the health and safety of their employees but also their ability to keep their doors open and lights on. I encourage New Mexico small businesses to take advantage of this emergency federal relief. I promise to do everything in my power to help our small business owners and non-profit leaders, their employees, and all New Mexicans during this trying time.” –U.S. Senator Tom Udall.

The recently-passed *[Coronavirus Aid, Relief, and Economic Security \(CARES\) Act](#)* includes \$377 billion in small business aid – including up to **\$10 million** in Payment Protection Program loans for each small business and non-profit of up to 500 employees. The loans will be **converted to forgivable grants**, so long as employers maintain their previous payroll through December 31, 2020. The loans will be implemented by the Small Business Administration’s (SBA) existing 7(a) program, operating through existing relationships with banks and credit unions. Additional relief options for small businesses and non-profits are also included in the CARES Act.

- **For a Full Guide on Small Business Assistance Prepared by the Senate Small Business Committee, Click Here:** <https://www.tomudall.senate.gov/download/sba-application-guide>.
- **For more information on the New Mexico division of the Small Business Administration, Click Here:** <https://www.sba.gov/offices/district/nm/albuquerque> and to find the nearest local Small Business Development Center at <http://www.nmsbdc.org/>.

Major Highlights

- **\$10 billion** for expanded SBA Economic Injury Disaster Loans program emergency grants of up to \$10,000 to provide immediate relief for small business and non-profits operating costs, to be disbursed within 3 days of applying.
- **\$350 billion total for the new Payment Protection Program loans.** The plan would provide cash-flow assistance of up to \$10 million to each small business through 100 percent federally-guaranteed loans to employers who maintain their payroll during this emergency.
 - If employers maintain their payroll, the loans will be forgiven, which will help workers to remain employed and affected small businesses and our economy snap-back after the crisis.
 - This proposal is retroactive to February 15, 2020 and extend to December 31, 2020, to help bring back workers who may have already been laid off.
- **\$17 billion** for SBA to cover **6 months of payments** for small businesses with existing SBA loans.
 - Makes rent, mortgage and utility costs eligible for SBA loan forgiveness.
 - Establishes robust worker protections attached to all federal loans for businesses.
 - Adds a retention tax credit for employers to encourage businesses to keep workers on payroll during the crisis.

Additional details on small business provisions:

- **Paycheck Protection Program:** Increases the government guarantee of loans made for the Payment Protection Program under section 7(a) of the Small Business Act to 100 percent through December 31, 2020. Defines eligibility for loans as a small business, nonprofit, or veteran’s organization with fewer than 500 employees.
- **Support for Small Businesses:** Authorizes SBA to provide additional financial awards to resource partners (Small Business Development Centers, or SBDCs, and Women’s Business Centers, or WBCs) to provide counseling, training, and education on SBA resources and business resiliency to small business owners impacted by COVID-19. Links to both organizations can be found here <http://www.nmsbdc.org> for the SBDC and here <https://www.wesst.org/> for the WBC network in New Mexico.
- Authorizes SBA to provide an association or association representing resource partners with grants to establish **one online platform that consolidates resources** and information available across multiple Federal agencies for small business concerns related to COVID–19; and a training program to educate Small Business Development Center, Women’s Business Center, Service Corps of Retired Executives, and Veteran’s Business Outreach Center counselors on the various federal resources available to ensure counselors are directing small businesses appropriately.
- This includes **\$562 million** to help small businesses:
 - Ensures SBA has the resources to provide Economic Injury Disaster Loans (EIDL) to businesses that need financial support. This will help businesses keep their doors open and pay their employees.
 - \$240 million for SBA Small Business Development Centers and Women’s Business Centers. The non-federal match for Women’s Business Centers would be waived for a period of three months.
 - \$10 million for Minority Business Development Agency’s Minority Business Centers.
 - \$25 million for grants to associations representing resource partners.

Loan Forgiveness: Establishes that borrowers shall be eligible for loan forgiveness equal to the amount spent by the borrower during an 8-week period after the origination date of the loan on: Payroll costs, interest payment on any mortgage incurred prior to February 15, 2020.

- Payment of rent on any lease in force prior to February 15, 2020.
- Payment on any utility for which service began before February 15, 2020.
- Amounts forgiven may not exceed the principal amount of the loan.
- The amount forgiven will be reduced proportionally by any reduction in employees retained compared to the prior year and reduced by the reduction in pay of any employee beyond 25 percent of their prior year compensation.
- Borrowers which re-hire workers previously laid off will not be penalized for having a reduced payroll at the beginning of the period.
- Canceled indebtedness resulting from this section will not be included in the borrower’s taxable income.

Emergency Economic Injury Disaster Loan (EIDL) Grants: Establishes an Emergency Grant to allow an eligible entity who has applied for an EIDL loan to request an advance on that loan, of not more than \$10,000, which the SBA must distribute within 3 days. That advance payment may be used for providing paid sick leave to employees, maintaining payroll, meeting increased costs to obtain materials, making rent or mortgage payments, and repaying obligations that cannot be met due to revenue losses.

- Establishes that applicant shall not be required to repay advance payments, even if subsequently denied for an EIDL loan.
- Eligible entities include startups, cooperatives, and ESOPs with fewer than 500 employees or any individual operating as a sole proprietor or an independent contractor.
- Requires that for any SBA EIDL loans made in response to COVID-19 before December 31, 2020, the SBA shall waive any personal guarantee on advances and loans below \$200,000, the requirement that an applicant needs to have been in business for the 1-year period before the disaster, and the credit elsewhere requirement.
- Allows SBA to offer EIDL loans based solely on an applicant's credit score or an appropriate alternative method for determining applicant's ability to repay.

Subsidy for Certain Loan Payments

- Defines an eligible loan as an existing 7(a) (including Community Advantage), 504, and microloan product:
 - Allows SBA to encourage lenders to provide deferments and to extend the maturity of the loans to avoid balloon payments or any increases in debt for the borrower during the period of the national emergency declaration.
 - Requires the SBA to pay the principal, interest, and any associated fees that are owed on the defined loans for a 6-month period starting on the next payment due.