



As promised, we are following up with a summary of the stimulus package and its effect on small businesses. This is just a brief, simplified overview, designed to give you peace of mind. The actual terms, conditions, and applicability to you will depend primarily on (a) your business' payroll and cost details and (b) the bank with which you choose to do business.

The important stuff: this is overwhelmingly great news!

Eligibility

- Businesses with 500 or fewer employees.
- You were in business on February 15, 2020.
- Your business had employees for whom it paid salaries and payroll taxes since that time.
- Any business that applies is presumed to need the loan and will get it.
- Some self-employed individuals and independent contractors are also eligible for these loans.

SBA Loans

- The SBA is guaranteeing these loans.
- Unlike prior SBA loan programs, these loans are non-recourse meaning NO personal guarantees and NO liens on your assets.
- If already have an SBA "economic injury disaster loan" on or after January 31, 2020, then that loan may be increased to include a refinancing of this loan.
- Businesses may apply through any bank that is approved to give SBA loans.

Loan amount

- The maximum loan is 2.5x your average monthly payroll costs during the one-year period before the loan.
- "Payroll Costs" include:
 - Salaries, wages, and commissions up to \$8,333.33 per month.
 - Vacation pay, severance pay, payments to contractors, health insurance, retirement plan contributions, and state and local (but not federal) taxes assessed on such compensation.

Loan Application and Process

You will need to submit an application that includes the following:

- Employee wages for the last twelve months (inclusive of the compensation components referenced above).
- A "good faith certification" that you need the loan, and that you intend to use the funds to retain workers* OR to make mortgage/lease/utility payments.

- *You are not required to retain employees to get the loan, but if you terminate anyone, then the amount of loan *forgiveness* will be reduced pro rata.
- There is no fee to obtain the loan.
- Checks are supposedly going to be ready for distribution by the end of next week (approx. April 3).

Use of Proceeds

Loan proceeds may be used for a broad range of overhead expenses, including Payroll Costs (see above); Interest payments on mortgages or any other pre-February 15, 2020 debt; Rent; Utilities.

Loan Forgiveness

Depending on the bank you use, you can defer repayment for at least six months but not more than one year.

For forgiveness, you must be able to verify:

- The number of employees on payroll during the eight-week period of eligible loan forgiveness, including payroll tax filings reported to the IRS as well as state income, payroll, and unemployment insurance filings;
- Payments made on business debts, rent and utility payments (canceled checks, etc.).
- A certification from the borrower that the information being submitted is true and that the amount for which forgiveness is being requested was used to retain employees, make interest payments on business debts, lease payments, and utilities.

Unlike other debt forgiveness, this debt forgiveness will not be included as taxable income.

Many clients have already asked us: Are we better off taking the loan, or letting our employees collect unemployment?

Every company's situation is unique. All things being equal, you are better off keeping your staff employed (and therefore working), and taking advantage of the federal government's tax-free gift to pay eight weeks of your payroll, rent, utility bills, etc. However, the reality is, your employees' compensation is likely going to be covered either way, because if you do lay them off or furlough them, your responsibility for their salaries drops to zero and state unemployment will cover much or all of their compensation (and you can avoid the loan application and certification process).

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