

## COVID-19 Summary of Government Financial Relief Programs

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You may be wondering what financial resources are available to your business to weather the impact of the COVID-19 crisis. Blue Shield has gathered information to help you determine your eligibility for key government programs and provisions.

To alleviate the economic impact of the coronavirus on both individuals and businesses, Congress passed the Coronavirus Aid, Relief and Economic Security (CARES) Act on March 27.

**The following programs in the CARES Act administered through the U.S. Small Business Administration (SBA) provide economic assistance to eligible businesses with 500 employees or fewer:**

### [The Paycheck Protection Program](#)

- The Paycheck Protection Program (PPP) enacted under the CARES Act provides increased loan amounts for payroll obligations (including insurance premiums), emergency grants to cover immediate operating costs, and a mechanism for loan forgiveness when the business can demonstrate that the loan proceeds were used for payroll and related costs.
  - Title I provides \$349 billion for loans during the covered period from February 15, 2020, to June 30, 2020. Congress is currently considering additional funding for the program.
  - Loans can be up to 250% of the borrower's average monthly payroll costs, not to exceed \$10 million.
  - Covered payroll costs include salary, wages, and payment of cash tips (up to an annual rate of pay of \$100,000); employee group health care benefits, including insurance premiums; retirement contributions; and covered leave.
  - Loans are available immediately through more than 800 existing SBA-certified lenders, including banks, credit unions, and other financial institutions. The SBA is required to streamline the process to bring additional lenders into the program.
  - PPP loan payments will also be deferred for six months. No collateral or personal guarantees are required. The government and lenders

are prohibited from charging small businesses any fees related to the loans.

- 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, and internet)
  - For borrowers with tipped employees, additional wages paid to those employees

### **Economic Injury Disaster Loan (EIDL) Grant Program**

- The CARES Act also introduced an expansion of the SBA Economic Injury Disaster Loan (EIDL) Program. The goal of the expansion is to offer financial support to more businesses experiencing reduced revenue stemming from the pandemic. Due to COVID-19, companies can apply for a disaster loan with the option to receive a \$10,000 advance on the loan.
  - The Program allows businesses that apply for an EIDL to obtain expedited access to capital through an Emergency Grant—an advance of \$10,000 within three days to maintain payroll, provide paid sick leave, and to service other debt obligations.
  - The EIDL Program provides working capital to small businesses via low-interest loans in amounts of up to \$2 million. Businesses will pay an interest rate of 3.75%, while nonprofits will pay 2.75%. Loan terms can last up to 30 years, and are determined case by case.
  - Eligible entities can get both an EIDL and a PPP loan, but any advance amount is subtracted from the amount forgiven in the PPP loan. An EIDL may be used for payroll and other operating expenses, but it cannot be used for the same purposes as a PPP loan.

### **Express Bridge Loans**

- Express Bridge Loan Pilot Program allows businesses that currently have a business relationship with an SBA Express Lender to access up to \$25,000 quickly. These loans can provide vital economic support to businesses to

help overcome the temporary loss of revenue they are experiencing and can be a term loan or used to bridge the gap while applying for a direct SBA Economic Injury Disaster loan.

- These loans will be repaid in full or in part by proceeds from the EIDL

### **Debt Relief**

- The SBA is providing additional financial reprieve during the COVID-19 pandemic through debt reliefs measures.
  - The SBA will automatically pay the principal, interest, and fees of current 7(a), 504, and microloans for a period of six months.
  - The SBA will also automatically pay the principal, interest, and fees of new 7(a), 504, and microloans issued before September 27, 2020.

**The following legislation is a tax relief measure issued by the Federal Government:**

### **Updated Business Tax Provisions**

- The CARES Act provides a tax break related to employee costs through a deferral, or delay, in when an employer remits payroll taxes.
  - A payroll tax credit of 50% will be applied to wages paid during the COVID-19 crisis while delaying payment of payroll taxes.

**Disclaimer:** *This summary is provided for informational purposes only. Blue Shield is not involved in administering any of the programs noted above, is not a financial institution and does not provide general legal, financial or tax advice. Business clients should consult their own legal, financial or tax advisor regarding the details of these programs. Your local government may also have relief policies in place. Check with your government office for more information.*