



CITY OF SAN ANTONIO
**ECONOMIC DEVELOPMENT
DEPARTMENT**

Summary of CARES Act Resources for Small Businesses

Paycheck Protection Program (PPP)

What is the Paycheck Protection Program and how much funding is available?

As part of the CARES Act, the Small Business Administration (“SBA”) will administrate the ***Paycheck Protection Program*** (“PPP”), which authorizes up to \$349 billion in potentially forgivable loans to small businesses during the COVID-19 crisis. The PPP loan capital will be allocated on a **first-come, first-served basis** starting **April 3** and interested small businesses are encouraged to apply as soon as possible due to the likely high volume of applicants.

What businesses are eligible for the Paycheck Protection Program?

Generally, small businesses that were in operation as of February 15, 2020 and have 500 or less employees are eligible. Businesses in certain industries can have more than 500 employees if they meet applicable SBA employee-based [size standards](#) for those industries. Sole proprietorships, self-employed individuals, and independent contractors qualify for this loan. Small businesses and sole proprietorships may start applying for PPP loans **on April 3**. Independent contractors and self-employed individuals may apply on **April 10**.

Are Paycheck Protection Program Loans eligible for forgiveness? How do you turn a PPP loan into a grant?

First, business expenses used to cover payroll, utilities, rent, or interest on mortgage will be analyzed for the 8-week period after the loan is made. The total of that amount is eligible for forgiveness up to the total amount your business borrowed through the PPP loan. The amount of forgiveness is subject to reduction if businesses made changes to employee compensation levels or employees were let go between February 15, 2020 and April 26, 2020. However, businesses may be eligible for forgiveness of additional expenses if employees are rehired or employee compensation levels are restored by June 30, 2020. Due to the anticipated high volume of applications, and underlying purpose of the program to maintain employment, it is anticipated that at least 75% of the forgiven amount be for payroll costs.

What are the loan limits for the Paycheck Protection Program?

Loans are limited to the lesser of the average monthly payroll costs for the 1-year period ending on the date the loan was made multiplied by 2.5. The loan amount is capped to \$10 million. Seasonal or new businesses will use different applicable time periods for calculation, which can be found in the [sample form](#). Payroll costs will be capped at \$100,000 annualized for each employee.

What is the PPP loan interest rate?

PPP loans have a 0.50% fixed rate. All payments are deferred for 6 months; however, interest will continue to accrue over this period. Loans are due in 2 years. There are no prepayment penalties or fees, no collateral or personal guarantees are required.

What is the application process and timeline? What documents will I need?

The PPP loan capital will be allocated on a **first-come, first-served basis beginning April 3**. Download this [sample form](#) to see what information will be requested. Underwriting will need to verify that a borrower was in operation on February 15, 2020, paid salaries and payroll taxes, and the dollar amount of an average month payroll cost.

How do I apply for a PPP loan? What lender and/or bank do I need to contact to apply for a PPP loan?

Banks, credits unions, and other SBA approved lenders will issue the PPP loans. Please contact your established lender to see if they will be participating in the PPP program. If not, there are over 1,800 SBA approved lenders and a significant increase in lenders is expected to participate in the PPP program. A list of lenders is available to the public on the SBA district website. www.sba.gov/tx/sanantonio

*Prepared by Economic Development in collaboration with information from Small Business Administration
Note this is not intended to be a comprehensive guide. Rather, applicants should follow up with a lender, SBA, and /or a tax services professional. Please visit <https://www.sba.gov/> for further guidance.*



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For more details of the PPP program, please refer to the Treasury Department's [guidance](#).

Economic Injury Disaster Loan (EIDL)

What are EIDLs? How do I apply for an EIDL for my business?

The Economic Injury Disaster Loan (“EIDL”) have been enhanced as part of the CARES Act due to the COVID-19 crisis. These loans are up to \$2 million in working capital with a fixed interest rate of 3.75% for private and 2.75% for non-profits – with terms up to 30 years. Similar to the PPP loans, EIDL loans will be administered on a **first-come, first-serve basis**; however, the CARES Act only allocated \$10 billion for this fund. EIDL payments are deferred for one year from date of promissory note. Unlike the PPP loans, businesses interested in EIDLs will apply directly to the Small Business Administration.

Is a portion of the EIDL considered a grant? How long does it take to receive funds?

The EIDL program allows affected small businesses to request up to \$10,000 as an advance or “grant” after applying. Funds will be made available within 3 days of a successful application. This loan advance will not have to be repaid.

What are the EIDL loan requirements?

Certain requirements for typical EIDL loans have been waived. These include the requirement of being in business for 12 months or to provide a personal guarantee of \$200,000 for loans. **NOTE - If you did not apply for an EIDL by March 27, you may only be awarded either an EIDL or PPP loan.**

Apply for an EIDL [here](#).

Employee Retention Credit

What is the Employee Retention Credit?

The CARES Act provides a 1-year credit against the employer's 6.2% share of Social Security payroll taxes for any business that is forced to suspend or close its operations due to COVID-19, ***but that continues to pay its employees during the shut-down.*** **Employers that utilize the Employee Retention Credit cannot also utilize the Paycheck Protection Program.**

How do I determine if my business is eligible for the Employee Retention Credit?

A business is eligible for the credit in one of two ways: 1) The operation of the business was fully or partially suspended during any calendar quarter during 2020 due to orders from an appropriate government authority resulting from COVID-19; or 2) The business remained open, but during any quarter in 2020, gross receipts were less than 50% of what they were for the same quarter in 2019. The business will then be entitled to a credit for each quarter, until the business has a quarter where it's recovered sufficiently that its receipts exceed 80% of what they were for the same quarter in the previous year.

Are employer payroll tax and self-employment tax eligible for delay of payment?

Yes, the CARES Act allows employers to defer their share of the 6.2% Social Security tax that would otherwise be due from the date of enactment through December 31, 2020, to be paid on December 31, 2021 (50%) and December 31, 2022 (50%). Similarly, a self-employed taxpayer can defer paying 50% of his or her self-employment tax that would be due from the date of enactment through the end of 2020 until the end of 2021 (25%) and 2022 (25%).

Are there tax benefits for changes to net operating loss rules due to COVID-19?

Yes, losses from 2018, 2019 and 2020, will be permitted to be carried back for up to five years. Also, losses carried to 2019 and 2020 will be permitted to offset 100% of taxable income (up from 80%).

Please refer to the [IRS FAQ](#) for additional details.

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