GOVERNMENT LOANS & GRANTS

- **SBA Paycheck Protection Program**: Forgivable loans with 1% interest rate for businesses operational as of February 15, 2020; 75% of amount borrowed must be used to cover payroll, but you can use up to 25% for certain other expenses; amounts covering up to 8 weeks of expenses are forgivable.

- **SBA Economic Injury Disaster Loans and Grants**: Flexible loan program with 3.75% interest rate; you can request an advance of up to a maximum of $10,000 that you do not need to repay.

For more information, see the one-page summaries on SSTB’s site for these programs

UNEMPLOYMENT INSURANCE

- **Pandemic Unemployment Assistance**: In New York, unemployment benefits (calculated based on recent wages) have been extended to self-employed individuals, independent contractors and others for up to 39 weeks.

- **Pandemic Unemployment Compensation**: You may also qualify for an additional $600 per week (which will be disbursed in connection with unemployment benefits from your state) until July 31, 2020.

For more information, see the FAQs on the NYS Department of Labor site

PRIVATE OPPORTUNITIES

- There are many private relief programs popping up, offering grants and loans. These opportunities are changing every day, and we recommend you conduct online searches to keep up to date.

- Programs include opportunities through the Facebook Small Business Grants Program, the Red Backpack Fund, GoFundMe, Kiva, the Opportunity Fund, Verizon, WeFunder and Stimulus2020. SSTB’s site has more details.

OTHER CARES ACT RELIEF

- Additional relief programs include:
  - **Small Business Debt Relief Program**: For 6 months, SBA will automatically pay principal, interest and fees on current and new SBA 7(a), 504, and microloans.
  - **Employee Retention Tax Credit**: Provides a refundable payroll tax credit for 50% of wages paid to each employee, including sole proprietors (up to $10,000 per employee) through December 31, 2020. The business must have been fully or partially suspended by government order due to COVID-19 or have experienced a significant decline in gross receipts (gross receipts <50% of gross receipts for the same quarter in 2019); not available to businesses receiving PPP loan. Not applicable for sole proprietor/single-member LLC with no employees where the owner does not receive a salary (only takes cash as a distribution in respect of ownership interests).
  - **Delayed Payment of Employer Portion of Payroll Taxes**: Self-employed individuals may delay payment of 50% of the Social Security tax imposed on net earnings from self-employment income for the period from March 27 – December 31, 2020. Half will be due on December 31, 2021 and the remainder on December 31, 2022; not available to businesses receiving PPP loan.
  - **Increased flexibility of tax deductions**: Lifts restrictions on using net operating loss to offset taxable income and increases deductibility of interest expenses.
  - **Delayed federal income tax filing date to July 15, 2020**.

This information is current as of April 23, 2020, and should not be considered comprehensive. This is not a substitute for, and should not be relied upon as, legal or professional advice; we recommend that you consult professional advisors for guidance on your individual circumstances. Nothing contained herein creates an attorney-client relationship with Cleary Gottlieb. This information should not be construed as an endorsement of any financial program.
Q How can sole proprietors and independent contractors calculate payroll costs under the Paycheck Protection Program (“PPP”)?

A Under the PPP, payroll costs include, among other items, “wage, commission, income or net earnings from self-employment or similar compensation” paid to independent contractors or sole proprietors. To calculate your average monthly “payroll costs” for PPP, look at your net self-employment earnings from Schedule C line 31 and/or Schedule 1 line 8, and divide by 12 months. Each lender will differ, but you may be asked to attach to your loan application your 2019 tax returns (including Schedule C and/or Schedule 1) or your 2019 financial statements and a 2018 tax return, 2019 Form 1099-MISCs, 2019 payroll tax forms 940/941 or any other documents that can substantiate income, including invoices, bank statements and books of record. The SBA has provided guidance on calculating your maximum loan amount, available here.

Q How do I find a bank that is SBA approved?

A As a first step, check with the bank where you do your business banking. If your bank is not SBA-approved, ask your bank for recommendations of other banks or consider exploring PayPal, Square and Intuit, which were recently approved as lenders. You can also visit this link for a map to help you find approved institutions for PPP loans, but some may require that you already have a relationship with them: www.sba.gov/paycheckprotection/find.

Q Can a sole proprietor apply for unemployment insurance benefits and for the SBA disaster loan and grant programs?

A So far, you should be able to apply for relief under unemployment insurance and the PPP and/or EIDL, provided you are not using the PPP and/or EIDL to continue to pay your own salary. The plan that is best for you will depend on whether you have employees other than yourself and your average expenses and revenues. If you do not have any employees, calculate the amount of funding you can access under each program, consider the risks associated with a loan and the timing and duration of each program. Keep in mind that funds from the PPP cannot be applied toward the same payroll costs as unemployment insurance would cover. For some, the amount of funding and ease of paperwork will mean that unemployment insurance may be the best route. However, others may want to use a PPP loan to continue payroll for themselves for 8 weeks, have that loan forgiven, and then use unemployment. Others might combine these various programs to cover different expenses or different time periods. The analysis will depend on the facts of your individual situation.

Q Under the EIDL, how can I prove my business suffered economic injury?

A You can rely on documentation comparing financial information from the prior year to the period associated with the disaster in the current year. Start-ups may also be eligible if they can establish economic injury (e.g., a loss of inventory via receipts, agreements; detailed monthly cash flow projections, etc.); you may also want to look at SBA Form 1368 to help think through this.

Q Where can I get help with figuring this all out?

A Contact Start Small Think Big to schedule an individual consult with an attorney or financial professional. We recommend continuing to monitor these relief programs online; new details continue to emerge, and additional financial relief programs are being proposed and considered.