



Covid-19 Crisis Small Business Capital

San Diego & Imperial Small Business Development Center (SBDC)

www.SDIVSBDC.org

(May 4, 2020)



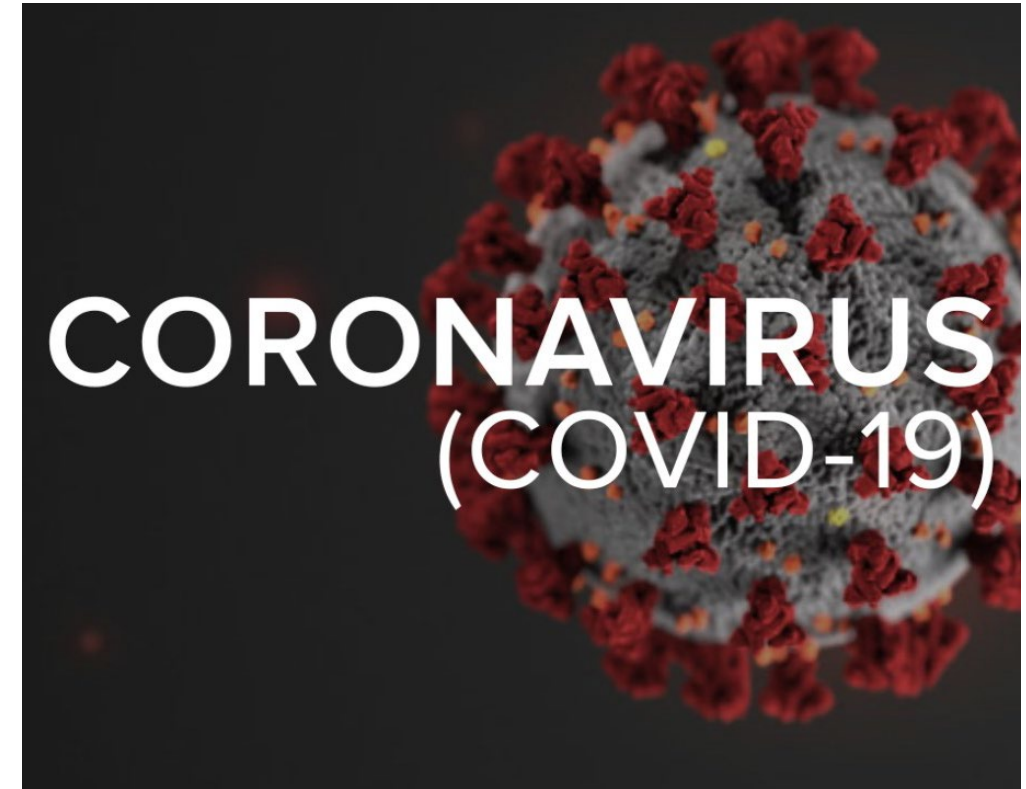
What Do We Do?

- We are funded by the US SBA and the CA Governor's Office of Business and Economic Development
- We provide expert one-on-one business advising for free
- We provide training sessions on a variety of topics
- Expertise includes: financing, business planning, operations, accounting/bookkeeping, marketing, and much more
- 10 services locations, but all staff is working online during these times



What is there today?

- SBA Disaster Loans
 - EIDL
 - PPP
- Paid Leave and Unemployment for furloughed staff
- Sales Tax Deferments
- Tax Deadlines moved to July 15
- California State Loan Guarantee, disaster enhancement
- Micro-loans from non-profit lenders
- City and County programs



Cash-Outflow – Action Steps Now

- Contact current creditors to ask for deferral
 - SBA Loans – Deferments for 6 months
 - Other loans – defer or restructure
- Payroll tax deferral, sales tax deferral
- Plan for July 15 income tax (federal and state)
- Contact landlord(s) regarding rent delays



Beware of SCAMS and FRAUD Schemes

The Office of Inspector General recognizes that we are facing unprecedented times and is alerting the public about potential fraud schemes related to economic stimulus programs offered by the U.S. Small Business Administration in response to the novel Coronavirus Pandemic (COVID-19). The Coronavirus Aid, Relief and Economic Security (CARES) Act, the largest financial assistance bill to date, includes provisions to help small businesses. Fraudsters have already begun targeting small business owners during these economically difficult times. **Be on the lookout for grant fraud, loan fraud, and phishing.**

Report any suspected fraud to OIG's Hotline at 800-767-0385 or online at, <https://www.sba.gov/about-sba/oversight-advocacy/office-inspector-general/office-inspector-general-hotline>.

San Diego DA Website: <https://danewscenter.com/news/beware-covid-19-economic-impact-payment-scams>

Financials

- Collect your 2019 and prior year financials. This includes profit and loss statements, sales history by month, and completed tax returns
- Collect your 2020 financials to date, by month.
- Document a negative cause and effect relationship of the virus on ability to pay:
 - Expenses
 - Debt Service, i.e. any and all loan payments
- Project the financial impact - compare to 2019 and prior - project through the end of 2020.
- Monthly Payroll expenses



Paycheck Protection Plan (PPP)

- Loans are from banks or other lenders. You should first reach out to your bank if they offer the program. If not, you can find a lender at this page: <https://www.sba.gov/paycheckprotection/find>
- More banks and lenders will be offering the program as they develop policies and procedures
- You are eligible if you are small business or a non-profit 501(c)(3) in operation prior to February 15, 2020 and paid employees and/or paid yourself as the owner via a wage or owner draw.
- You are also eligible for a PPP loan if you are an individual who operates under a sole proprietorship or as an independent contractor or eligible self-employed individual, you were in operation on February 15, 2020.
- It will work under the auspices SBA 7a program – a bank or other lender will provide the loan

Paycheck Protection Plan (PPP)

- Loan application will be available until June 30, 2020
- Loans amounts cannot exceed \$10million
- Loan amounts are based on 2.5 times your average monthly payroll. Payroll is fully loaded, included state payroll taxes, insurance, group-health, and retirement. Payroll in excess of \$100,000 per employee is excluded, but the pay up to \$100,000 for that employee is included.
- Forgiveness of the loan would be done on demonstrated payroll, rent, mortgage, or utility costs made by the small business between Feb 15, 2020 and June 30, 2020.
- Here is the SBA website summarizing PPP
<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>
- PPP and EIDL can both be applied for, but not used for the same purpose

Paycheck Protection Plan (PPP) Information to Collect

- Payroll records from Jan 1, 2019 – Jan 31, 2020
 - Wages paid, including commissions, and cash tips
 - State Payroll Taxes only (federal employer paid are excluded)
 - Payment for vacation, sick, medical, or family leave
 - Employer portion of group health and retirement plans, including worker's compensation
 - Owner's compensation in the form of draw or net profit
- Exclusions include:
 - Employees who's principal residence is outside the US
 - Compensation in excess of \$100,000 per year

Paycheck Protection Plan (PPP) Information to Collect

- Can include compensation for self-employment or sole-proprietor – independent contractors apply for their own PPP. Partnerships apply jointly
 - Find your 2019 IRS Form **1040 Schedule C line 31 net profit amount** (if you have not yet filed a 2019 return, fill it out and compute the value). If this amount is over \$100,000, reduce it to \$100,000. If this amount is zero or less, you are not eligible for a PPP loan.
 - Calculate the average monthly net profit amount (divide the amount from Step 1 by 12).
 - Multiply the average monthly net profit amount from Step 2 by 2.5.
 - Add the outstanding amount of any Economic Injury Disaster Loan (EIDL) made between January 31, 2020 and April 3, 2020 that you seek to refinance, less the amount of any advance under an EIDL COVID-19 loan (because it does not have to be repaid).
 - Regardless of whether you have filed a 2019 tax return with the IRS, you must provide the 2019 Form 1040 Schedule C with your PPP loan application to substantiate the applied-for PPP loan amount and a 2019 IRS Form 1099-MISC detailing nonemployee compensation received (box 7), invoice, bank statement, or book of record that 7 establishes you are self-employed. You must provide a 2020 invoice, bank statement, or book of record to establish you were in operation on or around February 15, 2020.

Paycheck Protection Plan (PPP)



Paycheck Protection Program Borrower Application Form

OMB Control No.: 3245-0407
Expiration Date: 09/30/2020

Check One: <input type="checkbox"/> Sole proprietor <input type="checkbox"/> Partnership <input type="checkbox"/> C-Corp <input type="checkbox"/> S-Corp <input type="checkbox"/> LLC <input type="checkbox"/> Independent contractor <input type="checkbox"/> Eligible self-employed individual <input type="checkbox"/> 501(c)(3) nonprofit <input type="checkbox"/> 501(c)(19) veterans organization <input type="checkbox"/> Tribal business (sec. 31(b)(2)(C) of Small Business Act) <input type="checkbox"/> Other		DBA or Tradename if Applicable	
Business Legal Name			
Business Address			
Business Address		Business TIN (EIN, SSN)	Business Phone
		() -	
		Primary Contact	Email Address
Average Monthly Payroll:	\$	x 2.5 + EIDL, Net of Advance (if Applicable) Equals Loan Request:	\$
Number of Employees:			
Purpose of the loan (select more than one):			
<input type="checkbox"/> Payroll <input type="checkbox"/> Lease / Mortgage Interest <input type="checkbox"/> Utilities <input type="checkbox"/> Other (explain): _____			

Paycheck Protection Plan (PPP)

Applicant Ownership

List all owners of 20% or more of the equity of the Applicant. Attach a separate sheet if necessary.

Owner Name	Title	Ownership %	TIN (EIN, SSN)	Address

If questions (1) or (2) below are answered "Yes," the loan will not be approved.

Question	Yes	No
1. Is the Applicant or any owner of the Applicant presently suspended, debarred, proposed for debarment, declared ineligible, voluntarily excluded from participation in this transaction by any Federal department or agency, or presently involved in any bankruptcy?	<input type="checkbox"/>	<input type="checkbox"/>
2. Has the Applicant, any owner of the Applicant, or any business owned or controlled by any of them, ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is currently delinquent or has defaulted in the last 7 years and caused a loss to the government?	<input type="checkbox"/>	<input type="checkbox"/>
3. Is the Applicant or any owner of the Applicant an owner of any other business, or have common management with, any other business? If yes, list all such businesses and describe the relationship on a separate sheet identified as addendum A.	<input type="checkbox"/>	<input type="checkbox"/>
4. Has the Applicant received an SBA Economic Injury Disaster Loan between January 31, 2020 and April 3, 2020? If yes, provide details on a separate sheet identified as addendum B.	<input type="checkbox"/>	<input type="checkbox"/>

If questions (5) or (6) are answered "Yes," the loan will not be approved.

Question	Yes	No
5. Is the Applicant (if an individual) or any individual owning 20% or more of the equity of the Applicant subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction, or presently incarcerated, or on probation or parole? Initial here to confirm your response to question 5 → _____	<input type="checkbox"/>	<input type="checkbox"/>
6. Within the last 5 years, for any felony, has the Applicant (if an individual) or any owner of the Applicant 1) been convicted; 2) pleaded guilty; 3) pleaded nolo contendere; 4) been placed on pretrial diversion; or 5) been placed on any form of parole or probation (including probation before judgment)? Initial here to confirm your response to question 6 → _____	<input type="checkbox"/>	<input type="checkbox"/>
7. Is the United States the principal place of residence for all employees of the Applicant included in the Applicant's payroll calculation above?	<input type="checkbox"/>	<input type="checkbox"/>
8. Is the Applicant a franchise that is listed in the SBA's Franchise Directory?	<input type="checkbox"/>	<input type="checkbox"/>

Paycheck Protection Plan (PPP)

By Signing Below, You Make the Following Representations, Authorizations, and Certifications

CERTIFICATIONS AND AUTHORIZATIONS

I certify that:

- I have read the statements included in this form, including the Statements Required by Law and Executive Orders, and I understand them.
- The Applicant is eligible to receive a loan under the rules in effect at the time this application is submitted that have been issued by the Small Business Administration (SBA) implementing the Paycheck Protection Program under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (the Paycheck Protection Program Rule).
- The Applicant (1) is an independent contractor, eligible self-employed individual, or sole proprietor or (2) employs no more than the greater of 500 or employees or, if applicable, the size standard in number of employees established by the SBA in 13 C.F.R. 121.201 for the Applicant's industry.
- I will comply, whenever applicable, with the civil rights and other limitations in this form.
- All SBA loan proceeds will be used only for business-related purposes as specified in the loan application and consistent with the Paycheck Protection Program Rule.
- To the extent feasible, I will purchase only American-made equipment and products.
- The Applicant is not engaged in any activity that is illegal under federal, state or local law.
- Any loan received by the Applicant under Section 7(b)(2) of the Small Business Act between January 31, 2020 and April 3, 2020 was for a purpose other than paying payroll costs and other allowable uses loans under the Paycheck Protection Program Rule.

For Applicants who are individuals: I authorize the SBA to request criminal record information about me from criminal justice agencies for the purpose of determining my eligibility for programs authorized by the Small Business Act, as amended.

Paycheck Protection Plan (PPP)

CERTIFICATIONS

The authorized representative of the Applicant must certify in good faith to all of the below by **initialing** next to each one:

- _____ The Applicant was in operation on February 15, 2020 and had employees for whom it paid salaries and payroll taxes or paid independent contractors, as reported on Form(s) 1099-MISC.
- _____ Current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.
- _____ The funds will be used to retain workers and maintain payroll or make mortgage interest payments, lease payments, and utility payments, as specified under the Paycheck Protection Program Rule; I understand that if the funds are knowingly used for unauthorized purposes, the federal government may hold me legally liable, such as for charges of fraud.
- _____ The Applicant will provide to the Lender documentation verifying the number of full-time equivalent employees on the Applicant's payroll as well as the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight-week period following this loan.
- _____ I understand that loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities, and not more than 25% of the forgiven amount may be for non-payroll costs.
- _____ During the period beginning on February 15, 2020 and ending on December 31, 2020, the Applicant has not and will not receive another loan under the Paycheck Protection Program.
- _____ I further certify that the information provided in this application and the information provided in all supporting documents and forms is true and accurate in all material respects. I understand that knowingly making a false statement to obtain a guaranteed loan from SBA is punishable under the law, including under 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.
- _____ I acknowledge that the lender will confirm the eligible loan amount using required documents submitted. I understand, acknowledge and agree that the Lender can share any tax information that I have provided with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program Requirements and all SBA reviews.

Paycheck Protection Plan (PPP) Recordkeeping and Timing

- Banks must provide a disbursement of the loan no later than 10 days after approval.
- The 8-week time frame to use funds on forgivable activity begins the day the loan funds are disbursed to you
- At least 75% must be for payroll expenses (re-hire furloughed staff when you get approval)
- No more than 25% on rent, mortgage interest, and utilities
- Save detailed records, including payroll reports, bank statements, canceled checks, invoices, etc.

Payroll Reports

ZSAMPLEWEB - Business Name								
Employee Earnings								
December 31, 2016								
Description	Current		Month-to-Date		Quarter-to-Date		Year-to-Date	
	Hours	Amount	Hours	Amount	Hours	Amount	Hours	Amount
1	Eddington, Terry J		XXX-XX-1112					
Salaried Wages	80.0000	1,846.15	80.0000	1,846.15	80.0000	1,846.15	80.0000	1,846.15
Gross Pay	80.0000	1,846.15	80.0000	1,846.15	80.0000	1,846.15	80.0000	1,846.15
FICA-SS		114.46		114.46		114.46		114.46
FICA-MED		26.77		26.77		26.77		26.77
FIT		350.94		350.94		350.94		350.94
Michigan SIT		75.32		75.32		75.32		75.32
401(K) % of Gross		73.85		73.85		73.85		73.85
Net Pay		1,204.81		1,204.81		1,204.81		1,204.81
Employer Expenses								
ERFUTA		11.08		11.08		11.08		11.08
ERFICA-SS		114.46		114.46		114.46		114.46
ERFICA-MED		26.77		26.77		26.77		26.77
Michigan SUI		49.85		49.85		49.85		49.85
401(k) % of Gross - Match		55.38		55.38		55.38		55.38
2	Harmon, Sarah W		XXX-XX-2223					
Wages	85.0000	1,050.00	85.0000	1,050.00	85.0000	1,050.00	85.0000	1,050.00
Gross Pay	85.0000	1,050.00	85.0000	1,050.00	85.0000	1,050.00	85.0000	1,050.00
FICA-SS		65.10		65.10		65.10		65.10
FICA-MED		15.23		15.23		15.23		15.23
FIT		110.28		110.28		110.28		110.28
Michigan SIT		43.29		43.29		43.29		43.29
401(K) % of Gross		31.50		31.50		31.50		31.50
Net Pay		784.60		784.60		784.60		784.60
Employer Expenses								
ERFUTA		6.30		6.30		6.30		6.30
ERFICA-SS		65.10		65.10		65.10		65.10
ERFICA-MED		15.23		15.23		15.23		15.23
Michigan SUI		28.35		28.35		28.35		28.35
401(k) % of Gross - Match		31.50		31.50		31.50		31.50

Payroll Reports

ZSAMPLEWEB - Business Name
Payroll Tax Summary - Detailed
October 1, 2016 - December 31, 2016

Tax	Rate	Wage Limit	QTD Gross Taxable Wages	QTD Taxable Wages	QTD Tax	YTD Gross Taxable Wages	YTD Taxable Wages	YTD Tax
1	Eddington, Terry J		1112					
FICA-SS	12.4000	118,500.00	1,846.15	1,846.15	228.92	1,846.15	1,846.15	228.92
FICA-MED	2.9000		1,846.15	1,846.15	53.54	1,846.15	1,846.15	53.54
FICA-MED2	0.9000		1,846.15	1,846.15	0.00	1,846.15	1,846.15	0.00
FUTA	0.6000	7,000.00	1,846.15	1,846.15	11.08	1,846.15	1,846.15	11.08
FIT			1,772.30	1,772.30	350.94	1,772.30	1,772.30	350.94
Michigan SIT	4.2500		1,772.30	1,772.30	75.32	1,772.30	1,772.30	75.32
Michigan SUI (Employer)	2.7000	9,000.00	1,846.15	1,846.15	49.85	1,846.15	1,846.15	49.85
2	Harmon, Sarah W		2223					
FICA-SS	12.4000	118,500.00	1,050.00	1,050.00	130.20	1,050.00	1,050.00	130.20
FICA-MED	2.9000		1,050.00	1,050.00	30.46	1,050.00	1,050.00	30.46
FICA-MED2	0.9000		1,050.00	1,050.00	0.00	1,050.00	1,050.00	0.00
FUTA	0.6000	7,000.00	1,050.00	1,050.00	6.30	1,050.00	1,050.00	6.30
FIT			1,018.50	1,018.50	110.28	1,018.50	1,018.50	110.28
Michigan SIT	4.2500		1,018.50	1,018.50	43.29	1,018.50	1,018.50	43.29
Michigan SUI (Employer)	2.7000	9,000.00	1,050.00	1,050.00	28.35	1,050.00	1,050.00	28.35
4	Fink, Chester A		4445					
FICA-SS	12.4000	118,500.00	1,437.50	1,437.50	178.26	1,437.50	1,437.50	178.26
FICA-MED	2.9000		1,437.50	1,437.50	41.68	1,437.50	1,437.50	41.68
FICA-MED2	0.9000		1,437.50	1,437.50	0.00	1,437.50	1,437.50	0.00
FUTA	0.6000	7,000.00	1,437.50	1,437.50	8.63	1,437.50	1,437.50	8.63
FIT			1,380.00	1,380.00	252.86	1,380.00	1,380.00	252.86
Illinois SIT	3.7500		1,380.00	1,380.00	51.75	1,380.00	1,380.00	51.75
Michigan SUI (Employer)	2.7000	9,000.00	1,437.50	1,437.50	38.81	1,437.50	1,437.50	38.81

EDD – Pandemic Unemployment Assistance (PUA)

- CARES Act Funding - \$600 Per week March 29 – Jul 25
- PUA for Indep Contractors/Sole-Proprietors without W2 employees and no other W2 income
- Apply with EDD
<https://edd.ca.gov/Unemployment/UI Online.htm>
- Other key sites: <https://edd.ca.gov/about edd/coronavirus-2019/pandemic-unemployment-assistance/faqs.htm>
- <https://edd.ca.gov/about edd/coronavirus-2019/pandemic-unemployment-assistance.htm>

SBA's Economic Injury Disaster Loan Terms

- **How much can I borrow?**
- Eligible entities may qualify for loans up to \$2 million.
- The interest rates for this disaster are 3.75 percent for small businesses and 2.75 percent for nonprofit organizations with terms up to 30 years.
- Eligibility for these working capital loans are based on the size (must be a small business) and type of business and its financial resources.
- **How can I use the loan funds?**
- These working capital loans may be used to pay fixed debts, payroll, accounts payable, and other bills that could have been paid had the disaster not occurred. The loans are not intended to replace lost sales or profits or for expansion.

SBA's Economic Injury Disaster Loan Terms

What are the collateral requirements?

- Economic Injury Disaster Loans over \$25,000 require collateral.
- SBA takes real estate as collateral when it is available.
- SBA will not decline a loan for lack of collateral, but requires borrowers to pledge what is available.



SBA's Working Capital Loans are Different from Other SBA Loans

- SBA's Economic Injury Disaster Loan (EIDLs) funds come directly from the U.S. Treasury.
- Applicants do not go through a bank to apply. Instead apply directly to SBA's Disaster Assistance Program at: <https://covid19relief.sba.gov/#/>
- There is no cost to apply.
- There is no obligation to take the loan if offered.
- The maximum unsecured loan amount is \$25,000.
- Applicants can have an existing SBA Disaster Loan and still qualify for an EIDL for this disaster, but the loans cannot be consolidated.

Basic Filing Requirements

OMB Control #3247-0406

Expiration Date: 09/30/2020

Disaster Loan Assistance

Federal Disaster Loans for Businesses, Private Non-profits, Homeowners and Renters

COVID-19 ECONOMIC INJURY DISASTER LOAN APPLICATION



DISCLOSURES



BUSINESS INFORMATION



BUSINESS OWNERS INFORMATION



ADDITIONAL INFORMATION



SUMMARY

STREAMLINED PROCESS REQUIREMENTS

SBA is collecting the requested information in order to make a loan under SBA's Economic Injury Disaster Loan Program to the qualified entities listed in this application that are impacted by the Coronavirus (COVID-19). The information will be used in determining whether the applicant is eligible for an economic injury loan. If you do not submit all the information requested, your loan cannot be fully processed.

The Applicant understands that the SBA is relying upon the self-certifications contained in this application to verify that the Applicant is an eligible entity to receive the advance, and that the Applicant is providing this self-certification under penalty of perjury pursuant to 28 U.S.C. 1746 for verification purposes.

The estimated time for completing this entire application is two hours and ten minutes, although you may not need to complete all parts. You are not required to respond to this collection of information unless it displays a currently valid OMB approval number.

Walk through pages



EIDL – Contact Information

If you applied for an EIDL, you may contact the SBA's Office of Disaster Assistance for an update on your application status. Please note that wait times vary and may be over an hour.

DisasterCustomerService@sba.gov

1-800-659-2955 (SBA Customer Service Center)

1-800-877-8339 (TTY: Deaf and Hard-of-Hearing)



Other Programs

- CDC Small Business Finance Working Capital Loans
- Local Cities (Oceanside, Poway, etc)
- County of San Diego Unincorporated Areas
- iBank (State of California)
- Misc small grants – e.g. US Chamber, BBB

Use our Team of Advisors for Help – and Review

- You can request an SBDC Advisor to help you complete your application prior to submittal – this is a no-cost service.
- Help can be provided for other capital
- Recover, reopen, and adapt





Covid-19 Crisis Small Business Capital

San Diego & Imperial Small Business Development Center (SBDC)

www.SDIVSBDC.org

(April 4, 2020)

