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COVID-19 Relief for Small Businesses

March 24, 2020

The coronavirus (COVID-19) has disrupted large and small businesses throughout the United States. While the federal government is finalizing a plan to put cash directly into the hands of the American people, it, along with New York City and the private sector, has not abandoned the traditional top-down approach to spur the U.S. economy: direct relief for small businesses. See below for a list of various relief programs offered to small businesses:

Federal

Economic Injury Disaster Loan Program: allows small business owners to apply for low interest loans of up to $2 million. The interest rate is 3.75% for for-profits and 2.75% for non-profits. It also has long-term repayment plans of up to 30 years.

The Small Business Administration ("SBA") provides a number of loans to assist with the exportation of goods, a service that can be particularly helpful during the pandemic:

Export Express: allows quick access to capital up to $500,000. Businesses can apply for a line of credit or term note prior to finalizing an export sale or while pursuing opportunities overseas, such as identifying a new overseas customer if an export sale were to be lost because of COVID-19.

Export Working Capital: provides revolving lines of credit or transaction-based financing of up to $5 million.

International Trade: helps small businesses, engaged in international trade, retool or expand to compete and react to changing business conditions, including those changed by COVID-19.

The following is a list of loan programs that the SBA generally makes available for small businesses:

7(a): offers loan amounts up to $5 million for: working capital, expansion or renovation, new construction, purchase of land or buildings, purchase of equipment or fixtures, lease-hold improvements, refinancing debt for compelling reasons, seasonal line of credit, inventory, or starting a business.

Express: offers up to $350,000 for no more than seven years with an option to resolve for the same purposes that the 7(a) program provides for.

Community Advantage: allows mission-based lenders to assist small businesses in underserved markets with maximum loans of $250,000 for the same purposes that the 7(a) program provides for.

504: designed to foster economic development and job creation or retention. The uses of proceeds are limited to acquisition or eligible refinancing of fixed assets.

Microloan: provides loans through non-profit lending organizations to underserved markets. The uses of proceeds are limited to working capital, supplies, machinery and equipment, and fixtures. The maximum loan amount is $50,000.

Tax relief

The Internal Revenue Service ("IRS") has recently announced a three-month delay for any tax payments that corporations owe up to $10 million.

Business tax credit: On March 18, the President signed into law a business tax credit that provides tax relief for up to 100% of the benefits that employers give to their employees due to COVID-19.

Proposals

Payroll taxes: The President has proposed cutting payroll taxes, but this has not yet materialized.

Additional loans: The Treasury Department has proposed loans to businesses with fewer than 500 employees that would equal six weeks of their payroll, up to $1,540 per employee, as long as the companies continue to pay employees for eight weeks once the loan is received.

Coronavirus Aid, Relief, and Economic Security ("CARES") Act: Treasury Secretary Steve Mnuchin and both houses of Congress are working on a new law that would provide loans and full-loan forgiveness to small businesses in return for retaining workers and paying them full, or almost-full, salary. Disagreement over key provisions have delayed Congress from sending it to the President to sign, but the bill may become law this week and will likely include even more incentives for small businesses.

New York

NYC Small Business Services: offering businesses with fewer than 100 employees, who have seen sales decrease by 25% or more, zero-interest loans of up to $75,000. It is also offering businesses with fewer than five employees a grant to cover 40% of payroll costs for two months.

Private Sector

Facebook: on March 17, Facebook announced $100 million in grants for small businesses. Further details have yet to be made public.

American Express Working Capital: Amex business cardholders can enroll with no credit check and get ongoing access to funds used for vendor payments between $500 and $150,000 with repayment terms of 30, 60, or 90 days. These charge a fixed fee between 0.6% and 5.25%.

We will continue to update this as more information becomes available. In the meantime, if you have questions regarding any aspects of employment law and any implications the COVID-19 virus has caused or will cause to your place of business, feel free to contact Thomas B. Wassel at (516) 357-3868 or via email at twassel@cullenllp.com, James G. Ryan at (516) 357-3750 or via email at jryan@cullenllp.com, or Hayley B. Dryer at (516) 357-3745 or via email at hdryer@cullenllp.com.

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Practices

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