



**COVID-19 Stimulus
Assistance to
Small Businesses &
501(c)(3) Organizations**

 **LNE GROUP**

About LNE Group

- **Ohio-based, Transatlantic Team of Advocacy, Technology Innovation, and Strategy Consultants**
- **Our Expertise**
 - Demonstrated experience in state and federal government public policy and funding pursuit
 - Secured more than \$700 million in funding
 - Craft business strategies that maximize government interaction to drive public policy and funding
- **Our Goal**
 - Maximize client success through a strategic government relations partnership



First Coronavirus Bill (H.R. 6074)

- Modified SBA **Economic Injury Disaster Loan (EIDL)** program to make economic injury from the COVID-19 an eligible EIDL expense
- 501(c)(3) nonprofit organizations were previously eligible under EIDL

CARES Act Provisions (H.R. 748)

- Establish a **Paycheck Protection Program** under Section 7(a) of the Small Business Act, interest rate not to exceed 4%, 10-year term maximum, with deferral and forgiveness, waive no credit elsewhere requirement and some fees
- Increase **SBAExpress** loan limit from \$350,000 to \$1 million
- Enhance SBA **Economic Injury Disaster Loan** to make eligible startups, cooperatives, and others; to make \$10,000 advance payment within 3 days and forgivable even if denied a loan, waive no credit elsewhere requirement

Today

- **Paycheck Protection Program** regulations being finalized at Treasury Department and SBA to provide partially-forgivable loans up to \$10 million
- **Small business-only loans** up to \$1 million can be turned around within 36 hours via SBAExpress 7(a) today
- SBA able to support +\$10 billion in **Economic Injury Disaster Loans available today.**

Economic Injury Disaster Loan (1)

- **Managed by SBA**, approval solely on credit score and financial need
- Available in **declared regions** only
- Substantial economic injury as a **direct result of COVID-19**
- **Loans up to \$2 million**, based on actual economic injury determined by SBA
- **Eligible uses** include working capital, inventory, equipment purchases, real estate payments, other operating expenses
- **Interest rate 2.75% for nonprofits**, up to 30-year term
- Automatic deferral of principal/interest for all of 2020, up to one year

Economic Injury Disaster Loan (2)

- **Personal guarantee** required for loans >\$200,000
- **No collateral required** for loans > \$25,000
- **\$10,000 in emergency grants** to applicants
- **No double-dipping**, using of proceeds to cover eligible expenses under the PPP

EIDL Disclosures (1)

ELIGIBLE ENTITY VERIFICATION

Choose One:

- Applicant is a business with not more than 500 employees.
- Applicant is an individual who operates under a sole proprietorship, with or without employees, or as an independent contractor.
- Applicant is a cooperative with not more than 500 employees.
- Applicant is an Employee Stock Ownership Plan (ESOP), as defined in 15 U.S.C. 632, with not more than 500 employees.
- Applicant is a tribal small business concern, as described in 15 U.S.C. 657a(b)(2)(C), with not more than 500 employees.
- Applicant is a business, including an agricultural cooperative, aquaculture enterprise, nursery, or producer cooperative, that is small under SBA Size Standards found at <https://www.sba.gov/size-standards>.
- Applicant is a business with more than 500 employees that is small under SBA Size Standards found at <https://www.sba.gov/size-standards>.
- Applicant is a private non-profit organization that is a non-governmental agency or entity that currently has an effective ruling letter from the IRS granting tax exemption under sections 501(c),(d), or (e) of the Internal Revenue Code of 1954, or satisfactory evidence from the State that the non-revenue producing organization or entity is a non-profit one organized or doing business under State law, or a faith-based organization.

EIDL Disclosures (2)

Review and Check All of the Following:

Applicant must review and check all the following (If Applicant is unable to check all of the following, Applicant is not an Eligible Entity):

- ✓ Applicant is not engaged in any illegal activity (as defined by Federal guidelines).
- ✓ No principal of the Applicant with a 50 percent or greater ownership interest is more than sixty (60) days delinquent on child support obligations.
- ✓ Applicant is not an agricultural enterprise (e.g., farm), other than an aquaculture enterprise, agricultural cooperative, or nursery.
- ✓ Applicant does not present live performances of a prurient sexual nature or derive directly or indirectly more than de minimis gross revenue through the sale of products or services, or the presentation of any depictions or displays, of a prurient sexual nature.
- ✓ Applicant does not derive more than one-third of gross annual revenue from legal gambling activities.
- ✓ Applicant is not in the business of lobbying.
- ✓ Applicant cannot be a state, local, or municipal government entity and cannot be a member of Congress.

Paycheck Protection Program (1)

- **Managed by SBA-approved lenders**, plus other approved by Treasury Department
- **No regional declaration** needed
- **Loans up to \$10 million**, to cover 8 weeks of payroll and expenses
- **Eligible uses include** working capital, refinance existing debt, and more but forgiveness restrictions apply
- **Interest rate 0.5%**, 2-year term
- Automatic deferral of principal/interest payments for six months

Paycheck Protection Program (2)

- No personal guarantee or collateral required
- **SBA's affiliation standards** apply to nonprofits
- **Borrow up to 250% of average monthly payroll expenses**, up to a total of \$10 million
- **Eight weeks of loan forgiveness** for funds applied to payroll cost, mortgage interest, rent, and utility expenses between February 15 and June 30
- **Seasonal business expenses will be measured using 12-week period** starting February 15 or March 1, whichever the seasonal employer chooses.

PPP FAQ (1)

Forgiveness

1. Equal to the sum of expenses for payroll, and existing interest payments on mortgages, rent payments, leases, and utility service agreements
2. Payroll costs include employee salaries (up to an annual rate of pay of \$100,000), hourly wages and cash tips, paid sick or medical leave, and group health insurance premiums
3. Can use the PPP for other business-related expenses but that portion of the loan will not be forgiven
4. Forgiven at the end of the 8-week period after you take out the loan; borrowers will work with lenders to verify covered expenses and the proper amount of forgiveness.

PPP FAQ (2)

EIDL and PPP

1. If you have applied for or received an EIDL related to COVID-19 before the PPP became available, you will be able to refinance into a PPP loan for loan forgiveness purposes
2. Remaining portions of the EIDL, for purposes other than those laid out in loan forgiveness terms for a PPP loan, would remain a loan
3. If you took advantage of an emergency EIDL grant award of up to \$10,000, that amount would be subtracted from the amount forgiven under PPP

More CARES Act Provisions

- **National Endowment for the Humanities, Arts** +\$75 million each
 - 40% set-aside for state and regional organizations
 - 60% set-aside for \$45 million each in direct grants toward at-risk humanities and arts positions and projects at museums, libraries and archives, historic sites, colleges and universities, and other cultural nonprofits
 - Details in the coming weeks
- **Institute for Museum and Library Sciences** +\$50 million
 - No set-asides but focus digital inclusion and technical capacity building
 - Congress directed IMLS to issue grants to states
 - Details in the coming weeks
- **Charitable Contributions:** Increase to the limit on individual taxpayers' deductions for cash-only contributions to public charities from 60% of the individual's AGI to 100% of the individual's AGI; from 10% of the corporation's taxable income to 25%
- **Employee Retention Tax Credit:** Refundable payroll tax credit for 50% of qualified wages paid by employers to employees, only if no PPP loan

"Phase 4" Coronavirus Stimulus

- State and local governments payments
- Individual payments
- COVID-19 treatment coverage
- Pension guarantees
- **Recovery funds for hard-hit sectors**
- Infrastructure
- Tax relief

Contact



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