

MD STATE PROGRAMS

Maryland Small Business COVID-19 Emergency Relief Loan Fund - This \$75 million loan fund (for for-profit businesses only) offers no interest or principal payments due for the first 12 months, then converts to a 36-month term loan of principal and interest payments, with an interest rate at 2% per annum. <https://commerce.maryland.gov/fund/maryland-small-business-covid-19-emergency-relief-loan-fund>

- Loans up to \$50,000 (not to exceed three months of cash operating expenses) open to Maryland businesses impacted by the COVID-19 with fewer than 50 employees.
- 0% for the first 12 months, and 2% for the remaining 36 months.
- Deferral of any payments for the first 12 months, and straight amortization beginning in the 13th month through the 36th month.
- Business must be established prior to March 9, 2020 and in good standing.
- Applicants must have employees on their payroll for whom they have had payroll taxes withheld (i.e. W-2 employees).
- Two years of historical financial statements and most recent interim statement to benchmark revenue against (if available).
- Six month pro forma of estimated lost revenue or other documented loss evidence.
- Minimum personal credit score of 575.
- No collateral requirements.
- Eligible uses include: working capital to support payroll expenses, rent, mortgage payments, utility expenses, or other similar expenses that occur in the ordinary course of operations.

The business must demonstrate financial stress or disrupted operations, which may include but are not limited to:

- Notices from tenants closing operations and not paying rent caused by loss of income.
- Notice of inability to pay rent or make loan payments due to reduced sales, suspended operations.
- Increased cost related to COVID-19 prevention measures.
- Notice of disrupted supply network leading to shortage of critical inventory or materials.
- Other circumstances subject to review on a case by case basis.

Maryland Small Business COVID-19 Emergency Relief Grant Fund - This \$50 million grant program for businesses and non-profits offers grant amounts up to \$10,000, not to exceed 3 months of demonstrated cash operating expenses for the first quarter of 2020. <https://commerce.maryland.gov/fund/maryland-small-business-covid-19-emergency-relief-grant-fund>

- Grants up to \$10,000 not to exceed 3 months of cash operating expenses for Maryland businesses and nonprofits impacted by the COVID-19 with 50 or fewer employees.
- Must be established prior to March 9, 2020.
- Business must be in good standing.
- Applicants must have employees on their payroll for whom they have had payroll taxes withheld (i.e. W-2 employees).
- Annual Revenues of the business or nonprofit not to exceed \$5 million as evidenced by Financial Statement or other financial documentation.

- Business or nonprofit is expected to seek longer term funding through its bank, SBA, or other source.
- Eligible uses include: working capital to support payroll expenses, rent, mortgage payments, utility expenses, or other similar expenses that occur in the ordinary course of operations.

The business or nonprofit must demonstrate financial stress or disrupted operations, which may include but are not limited to:

- Notices from tenants closing operations and not paying rent caused by loss of income.
- Notice of inability to make loan payments due to reduced sales, suspended operations.
- Increased cost related to COVID-19 prevention measures.
- Notice of disrupted supply network leading to shortage of critical inventory or materials.
- Other circumstances subject to review on a case by case basis.

Maryland COVID-19 Emergency Relief Manufacturing Fund - This \$5 million incentive program helps Maryland manufacturers to produce personal protective equipment (PPE) that is urgently needed by hospitals and health-care workers across the country.

<https://commerce.maryland.gov/fund/maryland-covid-19-emergency-relief-manufacturing-fund>

- Grants of up to \$100,000 will be made available to manufacturers to 1) increase existing capacity to produce these critical need items or 2) quickly pivot operations to produce these critical need items.
- Grant awards will vary based on the applicant's total investment.
- Applicants must be an established Maryland business and demonstrate experience, technical expertise and financial stability to implement the proposed project.
- Eligible costs include but are not limited to capital expenses such as machinery and equipment, raw materials needed for production, and operating expenses associated with increased production.
- Funding decisions will be made based on a variety of evaluation criteria, including but not limited to technical capability, operational experience, and the priority purchasing needs of the State of Maryland, with priority given to the product areas of greatest need within the Maryland healthcare system.
- Funds will be disbursed as follows: 50% at notice of award, with remaining 50% paid upon completion with proof of expenses.

To be eligible an applicant must:

- Currently be located, and plan to manufacture the products, in Maryland.
- Be in good standing with the State of Maryland and with OSHA and MOSH regulations.
- Demonstrate an ability to quickly implement the proposed project in order to meet the urgent needs resulting from the COVID-19 response.

COVID-19 Layoff Aversion Fund - Workforce Development and Adult Learning

At this time the Department of Labor is no longer accepting applications. Please refer to the [Coronavirus \(COVID-19\) Information for Businesses webpage](#) for information on the new

federal programs enacted by the passage of the federal Coronavirus Aid, Relief, and Economic Security Act known as the 'CARES' Act.

FEDERAL PROGRAMS from FAMILIES FIRST ACT

Emergency Paid Sick Leave Act

What is the Paid Sick Leave portion of FFCRA?

The new law grants two weeks of emergency paid sick leave (EPSL) at 100% of a person's normal salary to be capped at \$511 per day (the equivalent daily rate of a \$132,860 salary). In addition, it grants up to 10 additional weeks of paid leave (EFMLEA) at 67% of a person's normal salary, up to \$200 per day for employees unable to work because their children are out of school.

What employers are covered?

All employers with fewer than 500 employees. That's right, the big guys don't pay out.

What employees are covered?

All employees are eligible for the two weeks of paid sick leave. Part-time or full-time, regardless of how long they have been employed with you. Full-time employees would be paid 80 hours. Part-time would be paid the average number of hours worked in a two-week period.

Employees who have been employed for at least 30 calendar days are eligible for EFMLEA.

What is qualified "Sick Leave"?

This is important. The FFCRA is not intended to pay out for employees who are laid off (permanently or temporarily) because of a government-mandated shutdown or financial duress. If you are one of the many small businesses in that situation, your employees are not "sick" and will not qualify for this benefit.

Qualified employees are those who are unable to work because:

1. The employee is subject to a federal, state, or local quarantine or isolation order related to COVID-19; (Note: The employee is subject, not the employer)
2. The employee has been advised by a health care provider to self-quarantine due to concerns related to COVID-19; (Note: I have heard conflicting reports as to whether or not self-quarantine was in the final version of the bill)
3. The employee is experiencing symptoms of COVID-19 and seeking a medical diagnosis;
4. The employee is caring for his or her son or daughter if the school or place of care has been closed or the child care provider is unavailable due to COVID-19 precautions; or

5. The employee is experiencing “any other substantially similar condition specified by the secretary of Health and Human Services in consultation with the secretary of the treasury and the secretary of labor.

Obviously, number 5 is quite vague and subject to degrees of interpretation. But all of these requirements are very clearly based on the employee's inability to work, not the employer's inability to provide work.

Our interpretation is that if the employer is unable to stay open, EPSL and EFMLEA do not apply.

We are not sure how an employee who is offered remote work and does not accept it would be interpreted under number 5. We will seek to offer guidance as soon as possible on this.

Can I be exempted?

The law states that employers with fewer than 50 employees whose "economic viability would be jeopardized by compliance" can be exempted. Exemptions need to be approved by the Labor Department. We will provide guidance on this as it becomes clear.

How will my business be reimbursed if I am required to pay?

The bill provides a tax credit to cover the costs. The credit is applied to the tax you normally pay for each employee's Social Security (6.2% of taxable wages). If your out-of-pocket cost for this emergency sick leave ends up costing more than the Social Security bill, the government will send you a check to cover the remaining costs. There is no clear message on applying for this or timing to receive the benefit (or when the FICA credit can be applied).

FEDERAL PROGRAMS from CARES ACT

PPP – Paycheck Protection Program Loans

Who is eligible:

- In operations since 2/15/20
- Small Business with less than 500 employees, 501(c)(3), Veterans Organizations 501(c)(9), others as defined by Industry
- Individuals who operate as Sole Prop, Independent Contractor and other self employed.
- Additional entities with less than 500 per location under franchise or affiliations rules.

How is the loan size determined:

- If you were in business 2/15/19 – 6/30/19: Max loan is equal to 250% of your average monthly payroll costs during that time period. If you employ seasonal workers you can opt to use 3/1/19 as starting period.
- If you were not in business between 2/15/19 – 6/30/19: your max loan is equal to 250% of your average monthly payroll costs between 1/1/20 – 2/29/20.
- If you took out an Economic Injury Disaster Loan (EIDL) between 2/15/20 and 6/30/20 and you want to refinance that loan into a PPP loan, you would add that loan amount to the payroll sum.

Example: Average monthly payroll cost is: \$30,000
 $\$30,000 \times 2.5 = \$75,000$. Max loan value is \$75,000

What costs are eligible for payroll?

- Compensation (salary, wage, commission, or similar compensation, payment of cash tip or equivalent). **Note: It appears that payments to subcontractors will qualify as payroll for eligibility, and possibly loan forgiveness.**
- Payment for vacation, parental, family, medical, or sick leave
- Allowance for dismissal or separation
- Payment required for the provisions of group health care benefits, including insurance premiums
- Payment of any retirement benefit
- Payment of State or local tax assessed on the compensation of employees

What costs are not eligible for payroll?

- Employee/owner compensation over \$100,000
- Taxes imposed or withheld under chapters 21, 22, and 24 of the IRS code (SS tax, Railroad retirement and Federal withholding). This appears to basically exclude company FICA match.
- Compensation of employees whose principal place of residence is outside of the U.S.
- Qualified sick and family leave for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act

What are allowable uses of loan proceeds?

- Payroll costs (as noted above)
- Costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums
- Employee salaries, commissions, or similar compensations (see exclusions above)
- Payments of interest on any mortgage obligation (which shall not include any prepayment of or payment of principal on a mortgage obligation)

- Rent (including rent under a lease agreement)
- Utilities
- Interest on any other debt obligations that were incurred before the covered period

What are the loan term, interest rate, and fees?

- For any amounts not forgiven, the maximum term is 10 years, the maximum interest rate is 4 percent, zero loan fees, zero prepayment fee (SBA will establish application fees caps for lenders that charge).

How is the forgiveness amount calculated?

- Forgiveness on a covered loan is equal to the sum of the following payroll costs incurred during the covered 8 week period compared to the previous year or time period, proportionate to maintaining employees and wages (excluding compensation over \$100,000):
 - Payroll costs **plus** any payment of interest on any covered mortgage obligation (not including any prepayment or payment of principal on a covered mortgage obligation) **plus** any payment on any covered rent obligation **plus** and any covered utility payment.

How do I get forgiveness on my PPP loan?

- You must apply through your lender for forgiveness on your loan. In this application, you must include:
 - Documentation verifying the number of employees on payroll and pay rates, including IRS payroll tax filings and State income, payroll and unemployment insurance filings.
 - Documentation verifying payments on covered mortgage obligations, lease obligations, and utilities.
 - Certification from a representative of your business or organization that is authorized to certify that the documentation provided is true and that the amount that is being forgiven was used in accordance with the program's guidelines for use.

What happens after the forgiveness period?

- Any loan amounts not forgiven are carried forward as an ongoing loan with max terms of 10 years, at a maximum interest rate of 4%. Principal and interest will continue to be deferred, for a total of 6 months to a year after disbursement of the loan. The clock does not start again.

Can I get more than one PPP Loan?

- **NO** – registered to Tax ID number to prevent multiple loans.

Where should I go to get a PPP loan from?

- All current SBA 7(a) lenders are eligible lenders for PPP. Dept o Treasury will be adding new lenders.

How does the PPP loan coordinate with SBA's existing loans?

- Borrowers may apply for PPP loans and other SBA financial assistance, including Economic Injury Disaster Loans (EIDLs), 7(a) loans, 504 loans, and microloans, and also receive investment capital from Small Business Investment Corporations (SBICs). **However, you cannot use your PPP loan for the same purpose as your other SBA loan(s).** For example, if you use your PPP to cover payroll for the 8-week covered period, you cannot use a different SBA loan product for payroll for those same costs in that period, **although you could use it for payroll not during that period or for different workers.**

How does the PPP loan work with the temporary Emergency Economic Injury Grants and the Small Business Debt Relief program?

- Emergency Economic Injury Grant and Economic Injury Disaster Loan (EIDL) recipients and those who receive loan payment relief through the Small Business Debt Relief Program may apply for and take out a PPP loan as long as there is no duplication in the uses of funds. Refer to those sections for more information.

Small Business Debt Relief Program

This program will provide immediate relief to small businesses with non-disaster SBA loans, in particular 7(a), 504, and microloans. Under it, SBA will cover all loan payments on these SBA loans, including principal, interest, and fees, for six months. This relief will also be available to new borrowers who take out loans within six months of the President signing the bill into law.

Which SBA loans are eligible for debt relief under this program?

- 7(a) loans not made under the Paycheck Protection Program (PPP), 504 loans, and microloans. Disaster loans are not eligible (see p. 7 for more information on these).

How does debt relief under this program work with a PPP loan?

- Borrowers may separately apply for and take out a PPP loan, but debt relief under this program will not apply to a PPP loan.

How do I know if I'm eligible for a 7(a), 504, or microloan?

- In general, businesses must meet size standards, be based in the U.S., be able to repay, and have a sound business purpose. To check whether your business is considered small, you will need your business's 6-digit North American Industry Classification System (NAICS) code and 3-year average annual revenue. Each program has different requirements, see <https://www.sba.gov/fundingprograms/loans> for more details.

What is a 7(a) loan and how do I apply?

- 7(a) loans are an affordable loan product of up to \$5 million for borrowers who lack credit elsewhere and need access to versatile financing, providing short-term or long-term working capital and to purchase an existing business, refinance current business debt, or purchase furniture, fixtures and supplies. You apply for a 7(a) loan with a bank or a mission-based lender.

What is a 504 loan and how do I apply?

- The 504 Loan Program provides loans of up to \$5.5 million to approved small businesses with longterm, fixed-rate financing used to acquire fixed assets for expansion or modernization. It is a good option if you need to purchase real estate, buildings, and machinery. You apply through a Certified Development Company, which is a nonprofit corporation that promotes economic development. SBA has a free referral service tool called Lender Match to help find a lender near you.

What is a microloan and how do I apply?

- The Microloan Program provides loans up to \$50,000 to help small businesses and certain not-forprofit childcare centers to start up and expand. The average microloan is about \$13,000. These loans are delivered through mission-based lenders who are also able to provide business counseling. SBA has a free referral service tool called Lender Match to help find a microlender near you.

Economic Injury Disaster Loans & Emergency Economic Injury Grants

These grants provide an emergency advance of up to \$10,000 to small businesses and private non-profits harmed by COVID-19 within three days of applying for an SBA Economic Injury Disaster Loan (EIDL). To access the advance, you first apply for an EIDL and then request the advance. The advance does not need to be repaid under any circumstance, and may be used to keep employees on payroll, to pay for sick leave, meet increased production costs due to supply chain disruptions, or pay business obligations, including debts, rent and mortgage payments.

Are businesses and private non-profits in my state eligible for an EIDL related to COVID19?

- Yes, those suffering substantial economic injury in all 50 states, DC, and the territories may apply for an EIDL.

What is an EIDL and what is it used for?

- EIDLs are lower interest loans of up to \$2 million, with principal and interest deferment at the Administrator's discretion, that are available to pay for expenses that could have been met had the disaster not occurred, including payroll and other operating expenses.

Who is eligible for an EIDL?

- Those eligible are the following with 500 or fewer employees:
 - Sole proprietorships, with or without employees
 - Independent contractors
 - Cooperatives and employee owned businesses
 - Tribal small businesses Small business concerns and small agricultural cooperatives that meet the applicable size standard for SBA are also eligible, as well as most private non-profits of any size.

Who is eligible for an Emergency Economic Injury Grant?

- Those eligible for an EIDL and who have been in operation since January 31, 2020, when the public health crisis was announced.

How long are Emergency Economic Injury Grants available?

- January 31, 2020 – December 31, 2020. The grants are backdated to January 31, 2020 to allow those who have already applied for EIDLs to be eligible to also receive a grant.

If I get an EIDL and/or an Emergency Economic Injury Grant, can I get a PPP loan?

- Whether you've already received an EIDL unrelated to COVID-19 or you receive a COVID19 related EIDL and/or Emergency Grant between January 31, 2020 and June 30, 2020, you may also apply for a PPP loan. **If you ultimately receive a PPP loan or refinance an EIDL into a PPP loan, any advance amount received under the Emergency Economic Injury Grant Program would be subtracted from the amount forgiven in the PPP.** However, you cannot use your EIDL for the same purpose as your PPP loan. For example, if you use your EIDL to cover payroll for certain workers in April, you cannot use PPP for payroll for those same workers in April, although you could use it for payroll in March or for different workers in April.

How do I know if my business is a small business?

- Please visit <https://www.sba.gov/size-standards/> to find out if your business meets SBA's small business size standards. You will need the 6-digit North American Industry Classification Code for your business and your business's 3-year average annual revenue.

How do I apply for an economic injury disaster loan?

- To apply for an EIDL online, please visit <https://disasterloan.sba.gov/ela/>.

Expansion of Unemployment Benefits

- Provides benefits to individuals no entitled to any other unemployment compensation, while the individual is unemployed, partially employed or unable to work. Limited to 39 weeks beginning 1/27/20 – 12/31/20.

- Broadly defines a covered individual as an individual who is not eligible for regular compensation or extended benefits under state or federal law and provides self-certification that the individual is able and available to work, but is unemployed or unable to work because
 - the individual has been diagnosed with COVID-19 or is experiencing symptoms of COVID-19 and is seeking a medical diagnosis;
 - a member of the individual's household has been diagnosed with COVID-19;
 - the individual is providing care for a family member diagnosed with COVID-19;
 - a person in the household is unable to attend school or another facility that is closed as a direct result of the COVID-19 public health emergency;
 - the individual is unable to reach the place of employment because of a quarantine imposed as a direct result of a COVID-19 outbreak or has been advised by a health care provider to self-quarantine due to concerns related to COVID-19;
 - the individual was scheduled to begin employment and is no longer employed or is unable to reach the job as a direct result of a COVID-19 outbreak;
 - the individual has become the breadwinner or major support for a household because the head of the household has died as a direct result of COVID-19;
 - the individual must quit their job as a direct result of COVID-19;
 - the individual's place of employment is closed as a direct result of COVID-19; or
 - the individual is self-employed, is seeking part-time employment, does not have sufficient work history, or otherwise would not qualify for regular unemployment under state or federal law and becomes unemployed or cannot find work.

2020 Recovery Rebates

- Tax credit of \$1200 for individuals who are not a dependent of another and have a work eligible social security number. Increased by \$500 for every qualifying child (under 17).
- Rebate reduced by \$5 for every \$100 taxpayers income exceeds \$150,00 for joint filers, \$112,500 for HOH, and \$75,00 for any other.
- Based on 2019 tax return if filed, otherwise 2018 return. If not return filed IRS will use SSA-1099.
- Amounts completely phased out for singles with incomes in exceeding \$99,000, \$146,500 for HOH and \$198,000 for Joint filers.
- Eligibles do not include nonresident aliens, estates or trusts
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Employee retention credit for employers subject to closure due to COVID-19

- Provides a refundable payroll tax credit of 50 percent of qualified wages for each calendar quarter. The amount of qualified wages taken into account should not exceed \$10,000, including

health benefits, paid to an eligible employee, and the credit is provided for wages paid or incurred from March 13, 2020 through December 31, 2020.

- For eligible employers with more than 100 full-time employees, qualified wages are wages paid to employees when they are not providing services due to the COVID-19-related circumstances. For eligible employers with 100 or fewer full-time employees, all employee wages qualify for the credit.
- An eligible employer is defined as any employer: (i) which was carrying on a trade or business during calendar year 2020, and (ii) with respect to any calendar quarter for which, (a) the operation of their trade or business was fully or partially suspended due to governmental order as a result of COVID-19, or (b) the calendar quarter is within the period beginning with (1) the calendar quarter after December 31, 2019 for which gross receipts for the calendar quarter are less than 50% of the gross receipts for the same calendar quarter of the prior year and the ending with (2) the calendar quarter following the first calendar quarter beginning after the calendar quarter described in (1) for which gross receipts of the employer are greater than 80% gross receipts for the same calendar quarter in the prior year.

Delay of payment of employer payroll taxes

- Employer payroll taxes are deferred, with half of the amount required to be paid by December 31, 2021 and the other half by December 31, 2022. The delay does not apply for businesses that have had indebtedness forgiven under section 1105 of the legislation with respect to a loan under section 7(a) of the Small Business Act. The Social Security Trust Funds will be held harmless.

Special rules for use of retirement funds

- Waives the 10% penalty for early withdrawal for Coronavirus related distributions up to 100K. Income from the distribution will be taxed over three years. Individuals may repay the distribution over three years without triggering caps on that years contributions.
- A “coronavirus related distribution” means any distribution from an eligible retirement made on or after January 1, 2020 and before December 31, 2020; and made to an individual diagnosed with the virus (by a CDC-approved test), or whose spouse or dependent is diagnosed with the virus; who experiences adverse financial consequences as a result of quarantine, furlough, or layoff; who experiences a reduction in hours or inability to work due to lack of childcare; or because of other factors determined by the Secretary of Treasury.

Modifications for Net Operating Losses

- Removes 80% restriction and allows for carryback of NOL for 5 years starting with 2018.

Qualified Improvement Property

- Corrected errors in the Tax Cuts and Jobs act, allowing accelerated depreciation of Leasehold type improvements vs. 39 year depreciation. 2018 and 2019 returns can be amended.

ADDITIONAL FEDERAL RELIEF

FEDERAL INCOME AND ESTIMATED TAX EXTENSION

- Income tax balances for Federal and MD for 2019 not due until July 15, 2020.
- 1st Qtr 2020 Estimated tax payments not due until July 15 2020. (note: 2nd Qtr payments are still due June 15th)

Thank You

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