

Federal CARES Act Provides Small Business Relief

By **Valerie Nera** - April 1, 2020



Last week, Congress passed and President Donald J. Trump signed the Coronavirus Aid, Relief, and Economic Security Relief Act (CARES Act), which among other provisions, provides financial relief for small businesses through the way of small business loans that can ultimately turn into grants.

Under the CARES Act, the Paycheck Protection Program (PPP) offers help to small businesses to weather the economic upheaval caused by the COVID-19 pandemic. Small businesses generally work with narrower profit margins relying on consistent customer buying habits and knowledge of seasonal ebbs in sales. Mandatory closures for a month or longer are disastrous.

Paycheck Protection Program

The PPP provides funds to pay up to 8 weeks of payroll costs, including benefits. Funds can be used to pay interest on mortgages, rent, and utilities. These funds are loans that will be fully forgiven as long as at least 75% of the loan is used for payroll. Forgiveness is based on maintaining or quickly rehiring employees at the same salary. If an employer's workforce decreases, the amount of the loan that will be forgiven also decreases.

All small businesses with 500 or fewer employees are eligible, including self-employed individuals, sole proprietors, independents contractors, nonprofits, tribes, and veteran organizations. There is a very limited opportunity for larger businesses in certain industries.

Loan payments not qualifying for forgiveness will be deferred for six months. Collateral or personal guarantees are not required.

Application Information

Small businesses and sole proprietorships may begin to apply for this loan on **April 3**.

Independent contractors and self-employed individuals can apply for this loan starting **April 10**.

Funding for the PPP is capped. The program is implemented by the Small Business Administration (SBA). A business may apply through any SBA 7(a) lenders or through any federally insured bank, credit union or Farm Credit System. Other regulated lenders will be available to make

these loans once they are approved and enrolled in the program.

Application forms, a list of participating lenders and more information can be obtained at <https://home.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses>.

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