



FAQ: Small Business EID Loan and Emergency Grant

Disclaimer

This resource summarizes a very new and very complex set of laws. It represents our best understanding of the laws based on the information available at present, but they do not represent our advice and do not constitute an opinion on the law. The various federal departments will continue to issue guidance on these laws and the practical application thereof. We will update this document as quickly as possible to include such new information, however, ANYONE USING THIS RESOURCE MUST RELY ON SUITABLE FINANCIAL AND LEGAL COUNSEL IN MAKING ANY FINAL CHOICES.

Introduction

The programs and initiatives in the Coronavirus Aid, Relief, and Economic Security (CARES) Act that was just passed by Congress are intended to assist business owners (including sole proprietors and independent contractors) with the urgent economic needs they have right now. When implemented, there will be many new resources available for small businesses. But because the Act is so new, we don't yet understand all the details related to each of the resources. This document describes what we currently know – and don't know – so that you can make well-informed decisions on how to proceed.

What are the main loan programs in the CARES Act?

The two main loan programs are the **Paycheck Protection Program (PPP) Loan** and the **Economic Injury Disaster (EID) Loan**. The EID Loan includes an **Emergency Economic Injury Grant (“Emergency Grant”)** of up to \$10,000. The Emergency Grant does not need to be repaid and may be used for multiple purposes.

The remainder of this resource focuses on the EID Loan and Emergency Grant exclusively. Fishing Partnership Support Services (FPSS) have prepared a separate FAQ resource on the PPP Loan.

How do I get the \$10,000?

The Emergency Grant is for “up to \$10,000,” not \$10,000 exactly. The amount of the grant is unclear currently. On April 6, the Small Business Administration (SBA) stated that the grant will equal “\$1,000 per employee, up to \$10,000.” But on April 9 and 10, it was reported that frustration among legislators and small business owners have caused the SBA to back away from that limitation. We are monitoring the situation for further developments and clarification.

To request the Emergency Grant, you must first apply for the EID Loan. You cannot obtain the grant without asking for the loan.

Can sole proprietors and independent contractors apply for the EID Loan and Emergency Grant?

Yes.

How do I apply for an EID Loan and Emergency Grant?

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You can apply directly to the SBA. To apply, go to: <https://covid19relief.sba.gov/#/>

I applied prior to April 1 and my online loan application looked different. What should I do?

The SBA have requested that you re-apply using the link above. You will not lose your place in queue with your original EID Loan application.

What information do I need to apply for the EID Loan?

Try to gather the following information before you start the loan application:

1. Details on your business entity (if you have one) such as the business EIN, business address, date established, owner information, and number of employees as of 1/31/20.
2. Your latest tax return, including the schedule that reports your business income and expenses. A completed 2019 return is more useful than a 2018 return.
3. An estimate of your gross revenues and cost of goods sold for the 12-month period from 2/1/19 to 1/31/20.
4. The routing and account numbers for your business checking account. They can be found on your checks.

How should I estimate my gross revenues and cost of goods sold?

If your business revenues and costs for the month of January 2020 were similar to those for January 2019, you can use the reported figures on your 2019 tax return as a good estimate. If you filed a 2019 [Form 1040 Schedule C](#), your gross revenues will appear on Line 3 and cost of goods sold will appear on Line 4.

If you haven't filed a 2019 tax return, or if your revenues and costs for the month of January 2020 were materially different from those for January 2019, you should try to manually add up your revenues and costs for the 12-month period from 2/1/19 to 1/31/20.

How should I count my number of employees if I hire independent contractors?

We suggest that you take a conservative approach and only count individuals who are directly employed by your business and included in payroll. These individuals may be listed on your IRS Form 941 filing.

If you have already filed an application and included independent contractors in your employee count, we suggest you call the SBA at 1-800-659-2955 and tell them you want to make a correction to an existing EID Loan application. Be sure to have your confirmation number handy. (The confirmation number was displayed on your computer screen immediately after you submitted your application.)

How should I count my number of employees if we are a husband and wife team?

Look at your latest tax return and see how you or your tax accountant has allocated the income from your business. If the income and payroll taxes are allocated to one spouse only, count the number of

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employees as 1. But if the income and payroll taxes are split 50:50 between both spouses, count the number of employees as 2.

What if I can't remember the details of my business entity?

One resource is to use the Massachusetts Corporations search tool. You can search by entity name or person's name: <http://corp.sec.state.ma.us/CorpWeb/CorpSearch/CorpSearch.aspx>. Then you can view different corporate filings, which may contain the details you need.

How quickly will I get the Emergency Grant?

On April 6 the SBA stated that "SBA Loan advances will start to be distributed this week." Previously they stated the advances/grants would be paid out within 3-5 business days of accepting the EID Loan application. We are monitoring how quickly the SBA accepts applications, and whether their stated turnaround time is accurate.

How will the Emergency Grant funds be delivered to me?

The EID Loan application contains a section to enter your business checking account routing and account numbers for direct deposit.

We have asked authorities for clarification on whether other options exist for families who don't have a checking account.

Is the Emergency Grant tax-free?

We aren't sure. We have asked authorities for clarification on whether it is tax-free. For now, it would be prudent to withhold a portion of any grant funds you receive, in case taxes need to be paid later.

Do I need to repay the Emergency Grant?

No, you don't need to repay the grant, even if you are denied the EID Loan.

Do I need to repay the EID Loan?

Yes, the loan needs to be repaid. Only the Emergency Grant doesn't need to be repaid.

Will I be required to provide additional information to the SBA beyond the initial online application?

Yes, it is likely the SBA will request more information before making a loan decision. You may receive a call or email with a request to complete one or more forms. Please contact your FPSS Navigator if you need help with these forms.

How quickly will I get the EID Loan?

The SBA have said to expect a 2-3-week turnaround for a loan decision.

What are approved uses of the EID Loan?



Approved uses of the EID Loan and Emergency Grant include:

- Payroll and related benefits
- Accounts payable and other expenses that can't be repaid due to the disaster
- Rents
- Other working capital needs

For the EID Loan and Emergency Grant, a good rule-of-thumb to follow is that they can be used for shorter-term business obligations that are typically paid out in less than 12 months. Examples include consumables (such as fuel and food for the vessel), gear and other business supplies, inventory, payroll and benefits, vendor invoices, rents, and current loan payments.

Our current assessment is that they *cannot* be used for long-term assets that last for more than 12 months. Examples include vessels, trucks, or long-term quota.

What should I do if I am approved for the EID Loan but don't want/need it?

One option is to use the proceeds to prepay the loan balance. There is no prepayment penalty.

We aren't sure whether you could decline the EID Loan but keep the Emergency Grant. We have asked authorities for clarification on whether this option is allowed.

What are the key provisions of the EID Loan?

Some of the key provisions include:

- A maximum loan amount of \$2 million.
- No personal guarantees required for loans under \$200,000.
- Term of up to 30 years.
- Interest rate of 3.75%.
- No prepayment penalty.
- Deferral of up to 12 months (though interest will accrue during that time).

Can I apply for both an EID Loan and a PPP Loan?

Yes, applying for the EID Loan and Emergency Grant does will not prevent you from also applying for a PPP Loan. However, you will need to apply separately for each loan. Also – and importantly – the amount of the Emergency Grant you receive will reduce the amount of PPP Loan forgiveness you can obtain.

And you cannot use your EID Loan for the same purpose as your PPP Loan. As a result, you may wish to use the EID Loan and PPP Loan for different purposes. For example, use the EID Loan for non-payroll working capital needs, and the PPP Loan for payroll.

I am only eligible for a small Emergency Grant. Is it still worth it to apply, or should I just apply for the PPP Loan?

Yes, it could still be worth it, for several reasons:

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- The situation regarding the Emergency Grant remains fluid. The amount of the grant is still unclear.
- Some money will get to you sooner. The Emergency Grant is supposed to be paid within 3-5 business days of accepting the EID Loan application.
- The EID Loan application process is currently up and running. The PPP application won't be available until April 3 (for small businesses and sole proprietorships) or April 10 (for independent contractors and self-employed individuals) at the earliest. Some SBA-approved lenders are currently accepting PPP Loan applications, while others aren't yet ready to accept them.
- If you are approved for both loans, you can decide then whether you want to accept one or both and think strategically about how you may want to use them.
- Nobody knows how long this disaster will last. It may be advantageous to have more sources of funds available to you than fewer.

Could the EID Loan and Emergency Grant limit my ability to collect expanded unemployment benefits under the CARES Act?

We aren't sure. We have asked authorities for clarification on how these different programs affect one another.

Where can I find more details on the EID Loan and Emergency Grant?

It is important for you to be familiar with the details of the loan and grant before you apply. This includes details such as the interest rate, loan term, deferment options, etc.

One useful resource is from Massachusetts Senator Ed Markey's office, titled "*The Small Business Owner's Guide to the CARES Act*:" https://www.sbc.senate.gov/public/_cache/files/9/7/97ac840c-28b7-4e49-b872-d30a995d8dae/F2CF1DD78E6D6C8C8C3BF58C6D1DDB2B.small-business-owner-s-guide-to-the-cares-act-final-.pdf

Another useful resource is from CLA Connect, a tax and consulting business that works with FPSS, titled "*Comparison of EIDL and Paycheck Protection Programs*:" <https://www.claconnect.com/resources/articles/2020/comparison-of-eidl-and-paycheck-protection-programs>