

Guide to Emergency Financial & Tax Aid

Community pharmacies and other small businesses have been hit hard by mandatory closures and other safety measures aimed at slowing the spread of COVID-19. The federal government, state governments and many banks have instituted a number of relief programs such as emergency funding, protection from eviction and business loan deferment. The FDIC is encouraging banks to work with customers to provide coronavirus-related assistance for both business and personal needs.

Here is a review of federal, state and lender-specific programs that provide COVID-19 related relief. Please check our online COVID-19 Resource Center resource at www.aprx.org/home/covid-19-resource-center for updates to the list below. As always, we encourage you to consult with your accountant or financial planner as needed when deciding on which of these programs may be best for your situation.

Economic Injury Disaster Loans (SBA)

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, signed into law on March 27, temporarily expands eligibility for SBA economic injury disaster loans (EIDL) and provides an emergency advance of up to \$10,000 to small businesses and private non-profits harmed by COVID-19. To access the advance, you must first apply for an EIDL and then request the advance.

The advance does not need to be repaid under any circumstances, 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 such business obligations as debts, rent or mortgage payments.



EIDL loans are available in amounts up to \$2 million at an interest rate of 3.75% and have a repayment term of up to 30 years. The SBA has waived its credit-elsewhere test, meaning that if you have credit available elsewhere, you still are eligible under the EIDL program. The previous EIDL requirement that an applicant be in business for one year also is waived, so long as the business was in operation by Jan. 31, 20. **NOTE: The SBA will pay six months of principal, interest and fees for EIDL loans made from 3/27/20 to 9/27/20.**

How to Apply

- You can apply for an EIDL [online](#) with the SBA. The application takes 25-30 minutes to complete.
- When you apply, you can request an emergency grant of \$10,000 that will be provided by the SBA within 3 days of receiving your application.
- **You will not have to repay the grant, even if your loan application is denied.**
- You can visit an SBA resource partner who can help guide you through the loan application process. Find your nearest Small Business Development Center (SBDC) or Women's Business Center [here](#).

Paycheck Protection Loan Program (SBA)

The **Paycheck Protection Loan Program (PPP)** is a new \$349 billion program providing forgivable business loans under the existing SBA 7(a) loan program. The SBA makes PPP loans through its existing network of 800 banks (new lenders can be authorized to join the program), but the loans also can be obtained through any FDIC-insured bank or federal credit union. **These loans will be available April 3, and a few lenders already are accepting applications.**

Paycheck Protection loans can be used for:

- Payroll support (including paid sick or medical leave);
- Employee salaries (amounts covered up to \$100,000);
- Payment of retirement benefits;
- Mortgage, rent and utility payments;
- Insurance premiums; and
- State or local taxes on compensation

Program Terms

- Your loan amount is based on a formula addressing your payroll costs. For most, the loan amount will be the lesser of \$10 million or 2.5 times the average total monthly payroll costs incurred in the one-year period before the loan is issued.
- **Borrower and lender fees, as well as most underwriting tests, are waived (collateral and personal guarantees are not required).**
- The maximum repayment term is 10 years for any loan amounts not forgiven (see below). The maximum interest rate is 4%.
- Prepayment penalties are prohibited.
- Loan payments are automatically deferred by a minimum of six months or (at the lender's discretion) until Dec. 31, 2020.



Important Facts & Cautions About PPP Loans

Loan Forgiveness -- A PPP loan will be fully forgiven if the funds are spent during the eight-week period following the loan origination date on payroll costs, interest on mortgages, rent, and utilities -- at least 75% of the forgiven amount must have been used for payroll). Forgiveness also is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages are decreased.

Caveats About Forgiveness:

- Forgiveness is not automatic. You must apply to the lender and provide substantial documentation of salaries, payroll expenses and other spending.
- If you obtain a PPP Loan to meet payroll expenses, but instead spend it on other purposes or fail to meet the required 75% payroll expense threshold, the entire amount must be repaid.
- If you spend the loan proceeds outside the 8-week window following the loan origination date, the entire amount must be repaid.
- If you obtain the loan and spend the money as required, but later make significant layoffs – or close your pharmacy for business entirely – the entire loan amount may have to be repaid.



We urge you to act quickly if you think a PPP loan is a good idea for you. Some reports state that banks will prioritize existing customers over new ones in issuing PPP loans. If so, you should "get in line" at a participating bank for one of these loans. **The program expires on June 30, 2020.**

If you apply for an EIDL and the grant, you can still apply for a Paycheck Protection loan. However, the amount forgiven under a PPP loan will be decreased by the \$10,000 grant. A borrower cannot receive a Paycheck Protection Plan loan in addition to an Economic Injury Disaster Loan (EIDL) through the SBA for the same purposes. However, a borrower who has an EIDL loan unrelated to COVID-19 may apply for a Paycheck

Protection Plan loan (with an option to refinance the EIDL loan into the Paycheck Protection Plan loan). The emergency EIDL grant award of up to \$10,000 would be subtracted from the amount forgiven under the Paycheck Protection Program.

[PPP Loan Calculator](#)

[Emergency Loans: Small Business Guide and Checklist](#) (U.S. Chamber of Commerce)

SBA Loan Options Comparison Chart			
	Section 7(a) – Traditional SBA Loan	Paycheck Protection Program (PPP) Loan	Economic Injury Disaster Loan (EIDL)
Dates Available	Ongoing	2/15/20 – 6/30/20	1/31/20 – 12/31/20
Lender	SBA	Banks approved by SBA	SBA
Who is eligible?	All Independent Pharmacies	All Independent Pharmacies	All Independent Pharmacies
Max. Loan Amount	\$5 million	\$10 million	\$2 million
Guaranteed by SBA?	85% for loans up to \$150,000 75% for loans >\$150,000	100% through 12/31/20	Generally the same as traditional 7(a) loan
Loan Term	10 – 25 years	10 years	30 years
Interest Rate	1% – 2.75%	Up to 4%	3.75% (for profit)
Forgiveness Available?	No, but 6 months of payment forgiven (See Sec. 1112 of CARES Act)	YES: 8 weeks of payroll, rent, mortgage & utilities if specific conditions met	No
Advance Grant?	No	No	\$10,000
Allowable use of funds	Many, (but can't duplicate 7(a)(36) loans)	Payroll, mortgage, rent, utilities	Obligations & expenses that could have been met if no disaster occurred (can't duplicate 7(a)(36) loans)
Collateral Required?	Yes	No	Assets of the Business

SBA Loan Payment Deferrals

While much of the focus of the CARES Act has been on the Paycheck Protection Program, the legislation contains a key provision providing relief to current SBA loan holders.

The CARES Act appropriated \$17 billion to subsidize some small business loans. If you already hold a loan in regular service made under Section 7(a) of the Small Business Act, Title V of the Small Business Investment Act, or under 7(m) of the Small Business Act that was made by an intermediary before the CARES Act, **the SBA will pay the principal, interest, and fees you owe for six months. Payments commence with the first payment due after March 27, 2020. The SBA also will pay six months of principal, interest, and fees for new SBA loans made between March 27, 2020, and September 27, 2020.**

Deferral of Employer Payroll Taxes (SSA)

Section 2302 of the CARES Act permits employers to delay their required payment of the employer share of Social Security taxes. In general, employers are required to deposit 6.2% of the amount of wages up to the Social Security wage base (\$137,700 for 2020) soon after making a wage payment. This amount is in addition

to any federal income tax withholding, the employer share of Medicare taxes and the employee share of Social Security and Medicare taxes. The timing is usually monthly for very small employers like independent pharmacies.

The CARES Act allows you to significantly defer the deposit of your employer share of Social Security taxes (but not Medicare taxes). **Specifically, all employer Social Security taxes otherwise required to be deposited between March 27 and December 31, 2020, are not required to be deposited on the normal deposit schedule. Instead, half of such taxes are required to be deposited by December 31, 2021. The remaining deferred Social Security taxes must be deposited by December 31, 2022.**

Federal Income Tax Filing and Payment Deadline Extension (IRS)

The Internal Revenue Service has extended the 2020 income tax filing deadline for both individuals and businesses to July 15, 2020. Estimated tax payments that were previously due on April 15 likewise are postponed until July 15. **If you live in a state that assesses a state income, franchise or business tax, check with your taxing agency to see if state tax payments are likewise delayed. Several states already have aligned their tax payment schedules with the new federal deadlines.**

State & Local Economic Assistance Programs

States and municipalities are adding their own economic assistance programs by the day. The best place to check on the status of these is with your state governor's office. **You can find your governor's website, address and contact information on this listing from the National Governor's Association: www.nga.org/governors/addresses.**

Bank Programs

Many banks are offering payment deferrals and other assistance to business customers who are having trouble making payments. Check with your financial institution for programs.

[List of Banks Offering Deferrals on Mortgage Payments](#) (Forbes)

[List of Banks Offering Financial Relief Programs](#) (Forbes)

[Alphabetized list of COVID-19 Bank Response Programs](#) (American Bankers Association)

