CARES Act
Relief for Black Entrepreneurs and Small Businesses

BEAUFORT COUNTY BLACK CHAMBER OF COMMERCE
The Coronavirus Aid, Relief, and Economic Security (CARES) Act is the third federal relief bill aimed at stimulating the American economy in response to the COVID-19 pandemic.

A principal component of the $2 trillion economic relief package authorizes federal agencies to provide funding through loans and grants to aid small businesses affected by the coronavirus public health emergency.

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**What is the CARES Act?**

**Five Key Provisions for Small Businesses**

1. The Paycheck Protection Program (PPP)
2. Economic Injury Disaster Loans
3. Newly Implemented Mid-Size Loan Program
5. Employee Retention Credit
Paycheck Protection Program (PPP)

The PPP loan program is a newly implemented $350 billion program that provides federal guaranteed loans to small businesses across the nation affected by the coronavirus health emergency. The PPP loan covers small businesses during an 8-week period of February 15, 2020 – June 30, 2020. Beginning in early April, eligible Black/Small businesses and sole proprietorships can apply for PPP loans to cover payroll, rent, interest on mortgages, and utilities and other expenses through existing SBA lenders.

QUALIFICATIONS FOR BLACK/SMALL BUSINESSES

• Small businesses that employ 500 employees or less. (Includes sole proprietorships, independent contractors and the self-employed, private non-profits and nonprofit veteran organizations)
• A business that has originated on or before February 15th, 2020.

KEY PPP HIGHLIGHTS

• Funds are eligible to cover payroll salary of $100k cap (including healthcare expenses), interest on mortgage obligations, rent, and utilities.
• PPP loan cap is limited to the lesser of $10 million or 2.5 multiplied by average total monthly payroll costs in 2019.
• PPP loan is 100% forgivable 8 weeks after the start of the loan or rehire employees by June 30, 2020.
• PPP loan can be used to repay an EIDL loan.
• PPP loan is 1%.
• No collateral needed.
• Available through existing SBA lender or any participating federally insured depository institution, federally insured credit union, and Farm Credit System institution.
• Available until June 30, 2020 or until funds runout.
Economic Injury Disaster Loans (EIDL)

The Economic Injury Disaster Loan (EIDL) program was created to help businesses, renters, and homeowners located in regions affected by declared disasters. Among others, the CARES Act expands the existing EIDL loan program within the Small Business Administration (SBA) by providing looser credit standards for borrowers in addition to creating a rapid grant procedure.

QUALIFICATIONS FOR BLACK/SMALL BUSINESSES

- Small businesses that employ 500 employees less. (Includes sole proprietorships, independent contractors and the self-employed, private non-profits and nonprofit veteran organizations)
- A business that has endured economic injury caused by a disaster beginning on January 31, 2020.

KEY PPP HIGHLIGHTS

- Funds are eligible to cover payroll salary of $100k cap (including healthcare expenses), interest on mortgage obligations, rent, and utilities.
- EIDL loan cap is limited to $2 million.
- Includes eligibility of a $10,000 non-repayable emergency grant within three days of application for small businesses.
- EIDL loan is 3.75% for small businesses and 2.75% for non-profits.
- Payment on EIDL loans are deferred for one year.
- No collateral needed for EIDL loans under $25,000.
- Approval based on a credit score.
- No first-year tax returns are required for application.
- 30 years loan life.
- No loan forgiveness feature.
- Available through SBA.
The CARES Act allocates $454 billion to the Department of Treasury for the creation of an Economic Stabilization Fund. This fund bridges the gap between the Paycheck Protection Program (PPP) for medium-sized organizations, helping them to retain most of their employees.

**QUALIFICATIONS FOR BLACK/SMALL BUSINESSES**

- Midsize businesses that employ between 500 and 10,000 employees.
- Midsize business clear of bankruptcy proceedings.

**KEY PPP HIGHLIGHTS**

- Restore or retain 90% of the workforce of employees that existed before the crises along with restoring compensation and benefits to the employees no later than four months following the end of the coronavirus health emergency.
- Executive compensation restriction
- Principal and interest will be deferred for at least six months
- Fixed rate of annual 2
- Noncompatible with EIDL or PPP loans.

**Payroll Tax Provisions**

- The CARES Act authorizes the delay in payment of the employer's share of payroll taxes from March 27, 2020, through the end of 2020.

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\text{Half of the delayed amount will be due by December 31, 2021 followed by the other half due no later than December 31, 2022.}
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- Payroll Tax Provisions are not compatible with PPP loans under the CARES Act.
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