




COVID-19

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**Coronavirus / COVID-19
Response Team**


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**Small Business Liquidity
Considerations / Options**

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Liquidity: Priorities, Info & Options

- KYP: Know Your Priorities
- Organize Current Financial Info
- Communicate with Stakeholders
- Assess Options
- Understand Government Disaster Programs

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KYP: Know Your Priorities

- Identify Essential Constituents and Payees
- Consider Next Tier of Key Partners
- Make Hard Choices re Non-Essential Priorities
- Need for Non-Core Assets/Programs?
- Delaying Longer-Term Priorities?

Organize Current Financial Info

- Daily Cash-Flow Info is Key
- Ability to Communicate Credibly with Partners
- Responsiveness to Opportunities (Private & Public)
- Even Government Programs will Require Detailed Info
- Significant Owners (20%+) should also Gather Key Personal Info

Communicate with Stakeholders

- Establish Regular, Credible Communications
- Seek to Adapt Existing Terms to Enhance Flexibility
- Consider Sharing More Info with Employees
- Many Lenders Have Announced Flexibility for Existing Borrowers
- Communicate Before Taking on New Debt (e.g., SBA Loan)

Assess Options

- Flexibility/Capacity under Existing Credit Arrangements
- Non-Core Assets Convertible to Cash?
- Deferral or Restructuring of Payment Schedules?
- SBA and other Government Disaster Programs
- Loans under Economic Stimulus Package

Understand Government Disaster Programs

- Small Business Administration (SBA) Disaster Loans
 - At least \$1 billion nationally
 - Available to for-profit and not-for-profits (NFP)
- Michigan Small Business Relief Program
 - \$20 million in Michigan
 - Loans and Grants
- Other State and Municipal Programs

SBA Economic Injury Disaster Loans

- Loans up to \$2 million
- Interest rates capped at 3.75% (2.75% for NFPs)
- Repayment term up to 30 years (initial 4-month payment deferral)
- Funded directly by U.S. Treasury
- Loans to be used for working capital issues resulting from COVID-19
- Loans > \$25K to be secured to the extent possible (including by real estate)

SBA Disaster Loan Application Process

- Need Business and Key Owner Financial Info
 - Year-end P&L statements
 - Monthly sales
 - Collateral info (especially real estate)
 - Tax returns
- Lending criteria
 - Credit history; repayment prospects; collateral
- No cost or fee to apply; not obligated to accept funds

Application Tips

- Measure Twice, Cut Once
 - Missing/inconsistent information is major cause for rejection
- Apply Online: <https://disasterloan.sba.gov/ela/>
- Save Your Work: Site Overload
- Funds usually available two to five days post-approval
- Processing times unpredictable right now; normally takes 18-21 days
 - Some Great Lakes region apps being processed much faster

Michigan Small Business Relief Program

- Up to \$20 million for small businesses impacted by COVID-19
 - Funds expected to be available April 1
- Small Business Grants (\$10MM): Fewer than 50 Employees
- Small Business Loans (\$10MM): Fewer than 100 Employees
- Any Participating Business Must Demonstrate Income Loss
- Application Forms/Process Details Not Yet Available

Notes of Caution

- Limits under Existing Agreements
- Personal Guarantees
- SBA Loans Generally Less Flexible
- Limitations on Use of Proceeds
- Do Not Take SBA Approval as a Given
 - SBA “Credit Elsewhere” Testing

Non-Government Programs

- Many Banks Have Announced Programs for Borrowers/Customers
 - Waiving late fees
 - Delaying payments
- Miscellaneous Programs
 - Facebook offering up to 30,000 small businesses \$100 million in cash grants and advertising credits
 - James Beard Foundation Food and Beverage Industry Relief Fund to provide micro-grants to independent food and beverage small businesses

Tax Legislation Designed to Provide Liquidity

- What Has Already Happened:
 - All Federal Income Tax Payments Normally Due April 15 Postponed to July 15
 - Covers finally determined calendar year 2019 federal income tax payments
 - Covers 1st Quarter 2020 estimated federal income tax payments
 - Families First Coronavirus Response Act Provides Refundable Federal Employment Tax Credits for Paid Leave Mandated by the Act
 - 100% “dollar-for-dollar” refundable credit intended to offset the entire cost of providing the paid time off required by the Act
 - Expedited claim process allows employers to unilaterally effect credit by not making payroll deposits (rather than making deposits and then submitting refund claims)
 - Where refunds are necessary, IRS will provide a “streamlined” process and issue checks “as quickly as possible”
 - Michigan Sales & Use Tax Payments due March 20 are Postponed to April 20
 - Limited to businesses that paid less than \$720,000 in sales and use taxes in 2019

Tax Legislation Designed to Provide Liquidity (continued)

- Additional Proposals in Federal Stimulus Bill:
 - Postpone Employer Share of Social Security Tax Payments and Spread Over Two Years
 - Increase Interest Expense Deduction Limitations from 30% of Adjusted Taxable Income to 50% of Adjusted Taxable Income (Retroactive to 2019)
 - Allow Carryback of 2018, 2019 and 2020 Net Operating Losses to Five Prior Years
 - Suspend Aviation Excise Taxes
 - Immediate Expensing of Certain Building Improvements (ie, Fix the “Retail Glitch” from Tax Cuts and Jobs Act)
 - Postpone Corporate Estimated Tax Payments until October 15, 2020 (originally proposed, but excluded in most recent version of bill)



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