

# Small Businesses, Independent Contractors, and Sole Proprietors: Take Advantage of Government Covid-19 Relief Before the Money Runs Out

APRIL 07, 2020



We have been hearing from community organizations and our pro bono partners that some of our community's smallest and most vulnerable small businesses either do not know about the resources available to them under federal relief programs or are overwhelmed with information and unsure about how to proceed. Still others mistakenly believe that they do not qualify for state and federal programs, even though there are several programs specifically tailored to assist them. The biggest concerns for small businesses include payroll, rent, and utilities. Fortunately, government programs exist to help meet these obligations.

**This post summarizes the programs offered through the Small Business Administration for which you and your business may qualify.**

**FUNDS ARE LIMITED and TIME IS SHORT to apply for and obtain relief before available funds are gone.** Small businesses should act quickly to determine eligibility and contact their banks to submit the applications necessary to hold their places in line for relief funding. Funds are available on a "first come, first served" basis, so do not delay! To assist your general understanding of the various relief programs, we offer the following simplified summaries of the programs that are currently available:

1. **Paycheck Protection Program (PPP):** A loan for 2.5x your business's average monthly payroll costs to be paid back over 2 years at 1% interest. **THE BIGGEST BENEFIT:** As long as the loan is used for permitted purposes, you don't terminate employees or reduce their pay during the 8-week period after the loan is made, and at least 75% of the loan is used for payroll costs, up to the full amount of the loan will be forgiven. Importantly, these loans are not being heavily underwritten—so long as you meet the eligibility requirements listed on the loan application and can confirm the certifications in good faith, it is very likely that the loan will be funded—but again, it is important to act quickly. Applicants must apply for the PPP directly with their SBA certified lenders.
2. **Economic Injury Disaster Loan (EIDL):** A loan for up to \$2 million to be used for working capital, debt, payroll, and other obligations, repaid over a term of up to 30 years at a maximum 3.75% interest. EIDLs are not forgivable other than the \$10,000 emergency grant, discussed next. These loans are underwritten by the SBA, and your eligibility may be limited by your creditworthiness and ability to meet possible collateral and guaranty requirements, but they represent a way to obtain additional funds for costs and expenses not covered by the PPP at a very reasonable rate, paid over a long period. Applicants must apply for the EIDL directly with the SBA.
3. **Economic Injury Disaster Loan Grant (EIDL Grant):** A forgivable emergency grant for up to \$10,000, to be distributed within 3 days of application.

**Each loan program has minimal requirements for eligibility.** Small businesses with 500 or fewer employees will generally qualify, unless any of the following is true:

- You are engaged in illegal activity like the sale of cannabis, which is still illegal under federal law;

- You employ household employees;
- An owner of 20% or more of your business is under indictment, incarcerated, under community supervision, or has been convicted of a felony within the past 5 years; or
- You or your owners have ever defaulted on any federal government loan within the past 7 years or are currently involved in bankruptcy.

If a person or company owns more than 50% of your business or has the power to control your operations (including the ability to prevent you from taking certain actions), you may not be eligible if that person or company owns or controls other businesses that collectively with your business have more than 500 employees. If this applies to your business, please consult a lawyer before applying for any of the federal loans.

**If you are an independent contractor or self-employed worker, you can also apply for a PPP Loan.** Independent contractors and self-employed individuals (sole proprietors) may apply for PPP Loans starting on April 10.

**Apply for them all, provided you qualify:** Businesses that qualify, including sole proprietors and independent contractors, may receive funds through all three programs. Additionally, *a business may apply for and receive the EIDL Grant without being approved for an EIDL itself.* Businesses will not have to repay the funds they receive from an EIDL Grant, *even if their EIDL application is denied.*

**You should consider applying for the maximum PPP Loan amount for which you qualify.** PPP Loans are being granted on a first come, first served basis, and to maximize the number of businesses that receive funds, the SBA has determined that businesses may apply only once before the June 30 deadline.

#### **You must act quickly!**

- The SBA certified lenders began accepting PPP applications from businesses on April 3, and independent contractors and sole proprietors can submit their applications starting April 10. The funds are expected to run out quickly.
- Visit the [SBA website](#) to fill out an application for an EIDL Loan and EIDL Grant, and contact your bank about applying for a loan through the PPP. If your current bank is no longer accepting PPP applications or your business does not meet the bank's minimum requirements (e.g., having a business credit card), look to local community banks. Many local community banks are SBA certified lenders and are accepting PPP applications, in most cases, without any relationship requirements. Click [here](#) for a list of SBA-certified lenders eligible to participate in the PPP.

Eligibility requirements for all the programs we described, the application process, and the terms of these programs are all rapidly evolving. For the latest information and clarification regarding specific circumstances, please contact your lawyer. Please note that there may also be state-level programs available to help you that we have not described above. Visit Perkins Coie's [COVID-19 resource page](#) for information and materials on a wide variety of topics, including employment, tax, contracts, real estate, and immigration.

**YOU ARE NOT ALONE.** We are partnering with other community resources to field and answer questions from small businesses and may be able to answer questions you have about these programs or help connect you to organizations that are mobilizing to assist. We invite you to email us at [COVID19ProBono@perkinscoie.com](mailto:COVID19ProBono@perkinscoie.com).