

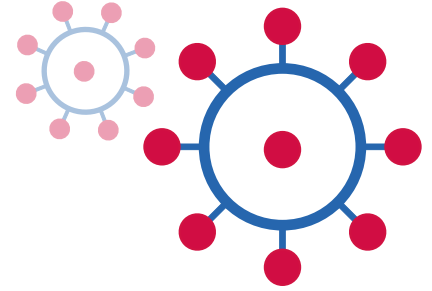
Small Business Guide to COVID-19

*Tips to Do Right
Now to Stay Afloat*

***SBA Loan Programs
Explained***

- ✓ Pro Tips
- ✓ Looking Ahead
- ✓ Find Help

COVID-19 Resources for Small Businesses



It's no secret that measures taken to slow the spread of the coronavirus (COVID-19) have negatively impacted our small businesses in the US Virgin Islands. A territory-wide stay-at-home order, bans on restaurant dining, bars, and vacation rentals; travel restrictions, and other precautions have crippled business revenues and small businesses ability to cover basic business operating costs.

Fortunately, there are a growing number of resources and programs available for small businesses, including the expansion of existing and the creation of new programs as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

In these unprecedented times, it's essential our small businesses remain agile to overcome adversity. The difference between closing your doors or surviving and thriving beyond COVID-19 could depend on what you do today.

► **Staying Afloat: Tips You Can Do Right Now**

- **Stay innovative.** During these unprecedented times, small business owners need to consider shifting their sales strategies. If you're forced to close your storefront, find ways to stay afloat and retain your employees such as selling online, using social media, or other innovative sales tactics. For example, many dine-in restaurants are providing meals to go and/or are providing delivery services they didn't offer previously.
- **Budget planning.** Begin with a list of your current budget and examine your operating expenses. Which expenses can you do without for now? Which can you negotiate or ask for relief from vendors?
- **Workforce engagement.** A successful relaunch and recovery of your business will depend on your ability to retain talent. Make employee engagement a priority. If your business is considered essential, reassure your employees by sharing the precautions you're taking to exceed CDC standards for a safe workplace. If possible, allow employees to work remotely and provide them with the tools to do so successfully.
- **Customer communication.** Acquiring a new customer can cost five times more than retaining an existing customer. Let your loyal customers know what's happening and that they matter by using social media, email marketing, and other avenues to keep them informed. If you are fortunate enough to be open, reassure your customers that you are taking every precaution to protect their health and well-being.
- **Time management.** Try to focus on the silver lining. Have you been procrastinating painting your store or counting inventory? Use downtime for projects that'll help you be more efficient and help your business shine and gain that competitive edge once you're able to resume normal operations.
- **Fact.** In the midst of it all, it's easy to become frightened about the future. Stay up to date with the latest information from reliable sources and resource providers. Visit vi.gov for the latest information.
- **Stay informed.** The adage "knowledge is power" is key. One of the most important things your business can be doing right now is to be aware of the resources available to you.

There are a growing number of programs available from the federal government. The CARES Act provides funding for the new Paycheck Protection Program, makes modifications to and expands the eligibility of the existing Economic Injury Disaster Loan program (EIDL), and provides immediate loan payment relief for current SBA loan program borrowers. These changes and new programs offer immediate and substantial emergency capital assistance to our territory's small businesses. Read on for a breakdown of federal programs available to negatively impacted small businesses as of **Friday, April 10th.**

What loans are available?



Paycheck Protection Program (PPP)



Economic Injury Disaster Loan (EIDL)

EIDL Advance



SBA Debt Relief Program

Is a Paycheck Protection Program loan right for me?

Seeking a short-term, potentially forgivable loan to compensate and retain your employees? A Paycheck Protection Program (PPP) loan might be right for you!

A PPP loan provides small businesses who retain their employees with a direct incentive to do so in the form of a forgivable loan. Small businesses that were actively operating on February 15th, 2020, and have fewer than 500 employees or meet SBA industry size standards are eligible to apply. Be aware— at least 75% of PPP loan proceeds must be used for qualified payroll costs, while the other 25% can be used towards interest on a mortgage or for rent, and for your utility payments. If not, the unforgiven amount converts to a two-year term loan with a fixed interest rate of one percent for the term of the loan.

Is an Economic Injury Disaster Loan right for me?

Seeking a long-term loan option to cover rent, utilities, payroll, accounts payable, and other operating expenses that could have been paid should COVID-19 not have occurred? Then an Economic Injury Disaster Loan (EIDL) may be right for you!

EIDLs provide working capital to help eligible small businesses survive until normal operations resume. Applicants can have an existing SBA disaster loan and still qualify for an EIDL for COVID-19, however the loans cannot be consolidated. You may also apply for and receive a PPP loan, however, EIDL proceeds cannot be used for the same purpose as a PPP loan.

Need funding now?

If your business needs funding now, EIDL applicants can request an advance of up to \$10,000 to cover payroll costs while your application is being processed. EIDL advances are made available within days of a successful application submission. Best yet, these advances don't need to be repaid, even if you are subsequently declined for the loan. To ensure that the greatest number of applicants can receive assistance during this challenging time, the amount of the advance will be determined by the number of small business' pre-disaster (i.e., as of January 31st, 2020) employees. The advance will provide \$1,000 per employee up to a maximum of \$10,000.

Is the SBA Debt Relief Program right for me?

Have an existing SBA 7(a) or 504 loan or thinking about securing one? The SBA Debt Relief Program provides up to six months of payments for borrowers.

► **Continue reading for more information about each of these programs.**

Paycheck Protection Program Explained



► Overview

A Paycheck Protection Program loan offers relief to small businesses impacted by COVID-19 by providing emergency capital for the purpose of retaining employees. Most importantly, borrowers are eligible for loan forgiveness equivalent to the sum of the loan proceeds expended on covered expenses during the eight-week period after the loan is originated.

► Am I eligible?

Small businesses actively operating on February 15th, 2020, and having fewer than 500 employees or meet SBA industry size standards, whichever is greater, are eligible to apply. This includes sole proprietorships, independent contractors, and self-employed individuals; 501(c)(3) non-profit organizations, 501(c)(19) veterans organizations, and Tribal businesses (see sec. 31(b)(2)(C) of the Small Business Act) affected by coronavirus/COVID-19. For eligibility purposes, Accommodation and Food Service businesses (NAICS 72) are assessed on the number of employees per location basis.

► How can I use it?

Loan proceeds can be used for any business operating expenses, however, when used for defined purposes, the loan can be forgiven in whole or in part.

► How much can I borrow?

For businesses that existed in 2019, the maximum loan amount is the lesser of 2.5 times the business' average monthly payroll costs based on the previous 12-month period, or \$10 million. Seasonal businesses should use the period February 15th or March 1st to June 30th, 2019; new businesses should use January 1st - February 29th, 2020.



How do I calculate my average monthly payroll costs?

$$\begin{array}{|c|} \hline \text{sum of} \\ \hline \text{INCLUDED} \\ \hline \text{payroll costs} \\ \hline \end{array} - \begin{array}{|c|} \hline \text{sum of} \\ \hline \text{EXCLUDED} \\ \hline \text{payroll costs} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{PAYROLL} \\ \hline \text{COSTS} \\ \hline \end{array}$$

INCLUDED

- ✓ Gross salary, wages, commissions or similar compensation (e.g. tips);
- ✓ Payments for paid time off (e.g. vacation, parental, family, medical, or sick leave);
- ✓ Payments required for the provisions of retirement and employee benefits including insurance premiums;
- ✓ Payments of state or local tax assessed on the compensation of employees; plus
- ✓ Allowance for dismissal or separation.

EXCLUDED

- ✗ Compensation of an individual employee in excess of an annual salary of \$100,000;
- ✗ Any compensation of an employee whose principal place of residence is outside of the United States;
- ✗ Qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act; and
- ✗ Payroll taxes, railroad retirement taxes, and income taxes.

PAYROLL SUPPORT DOCUMENTATION

EMPLOYERS

- ✓ IRS Form 990—Return of Organization Exempt from Income Tax;
- ✓ IRS Form 941—Employer's Quarterly Federal Tax Return;
- ✓ IRS Form 944—Employer's Annual Federal Tax Return State Income, Payroll, and Unemployment Insurance Filings; and
- ✓ PEO Reports.

SELF-EMPLOYED

- ✓ IRS Form 1040, Schedule C;
- ✓ IRS Form 1099-MISC;
- ✓ Profit & Loss Statement; and
- ✓ Bank Records & Statements.

► Can the loan be forgiven?

Yes. If you use the PPP loan and proceeds for specific operating expense purposes within the allowed time period up to 100 percent of the loan can be forgiven.

Allowable forgivable uses include:

- Payroll costs
- Other eligible operating expenses
 - Interest on commercial property mortgages
 - Rent of commercial property
 - Business utilities

Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. To be forgiven, at a **minimum**, 75 percent of the calculated loan forgiveness amount must have been used for allowable payroll.

If your business laid off employees or reduced salaries after February 15th, 2020, you have until June 30th, 2020 to rehire those employees or raise wages without penalty.

If you lay off employees or reduce salaries after April 26th, 2020—or don't hire back any previously laid-off staff by June 30th, 2020—the amount of forgiveness you're eligible for will decrease.

Any amount of the loan not forgiven will be converted into a two-year term loan with a fixed interest rate of one percent. No payments are required for the first six months.



How do I calculate my loan forgiveness and loan amount due?



► What's the deadline?

- June 30th, 2020

► Self-employed: Demonstrating payroll

SBA requires sole proprietors, independent contractors, and other eligible self-employed individuals to provide documentation to its lender that the business was in operation as of February 15th, 2020. This documentation may include payroll processor records, payroll tax filings, or Form 1099-MISC, or income and expenses from a sole proprietorship. For borrowers that do not have any such documentation, the borrower must provide other supporting documentation to its lender, such as bank records, sufficient to demonstrate the qualifying payroll amount.

► Where do I apply?

Apply for the Paycheck Protection Program at any bank, credit union, or lender that participates in SBA's lending programs. Use SBA's online Lender Match Tool at www.sba.gov/paycheckprotection/find or call your bank to find a local SBA-approved lender.

EIDL & EIDL Emergency Advance



► **Overview**

The EIDL program offers small businesses long-term, low-interest loans to pay off debt or cover coronavirus-related losses. Thanks to the CARES Act, EIDL applicants may apply for a forgivable EIDL loan advance of up to \$10,000.

► **Am I eligible?**

Small businesses with less than 500 employees (including sole proprietorships, independent contractors, and self-employed persons), private non-profit organizations, or 501(c)(19) veterans organizations affected by COVID-19 are eligible.

► **How can I use it?**

Loan funds can be used as working capital to pay fixed debts, payroll, accounts payable, and other bills that could have been paid had the disaster not occurred.



You may use the \$10,000 loan advance for:

- **Providing paid sick leave to employees;**
- **Maintaining payroll;**
- **Meeting increased costs to obtain materials;**
- **Making rent or mortgage payments; or**
- **Repaying obligations that cannot be met due to revenue losses.**

► **How much can I borrow through the EIDL program?**

Eligible small businesses may qualify for an EIDL Emergency Advance of up to \$10,000 and EIDL loan of up to \$2 million. To ensure that the greatest number of applicants can receive assistance during this challenging time, the amount of the advance will be determined by the number of the small business' pre-disaster (i.e., as of January 31st, 2020) employees. The advance will provide \$1,000 per employee up to a maximum of \$10,000.

► **Can the EIDL loan be forgiven?**

With the exception to the EIDL advance, an EIDL loan must be repaid. The interest rate for small businesses is 3.75 percent and the interest rate for non-profits is 2.75 percent for terms up to 30 years.

► **What's the deadline?**

- **December 31st, 2020**

► **Where do I apply?**

To apply for a COVID-19 EIDL and loan advance, visit <https://covid19relief.sba.gov>.

7(a) Debt Relief Program



► **Overview**

The Debt Relief Program provides immediate relief for new and existing borrowers of SBA's regular loan guarantee programs. For existing borrowers with a regular 7(a), 504 or micro-loan, SBA will automatically make payments on your behalf for a period of six months. For new borrowers, SBA will automatically cover payments due prior to September 27th, 2020.

► **Am I eligible?**

You are eligible if:

- You have an SBA 7(a), 504, or micro-loan loan (Paycheck Protection loans and SBA disaster loans are not eligible—but payments are already deferred under those loans);
- You apply for and receive an SBA 7(a), 504, or micro-loan within six months of enactment of the CARES Act.
- To check if you are eligible for an SBA 7(a), 504, or micro-loan, please visit www.sba.gov.

► **Where do I apply?**

Debt relief is automatic, but you should check in with your lender. Under the new law, the SBA is directed to make payments within 30 days of the date on which the first payment is due.

Pro Tips

- While you cannot "double dip," (i.e. use the proceeds for the same expenditures), we strongly encourage small businesses to apply for both the PPP and EIDL loans simultaneously. You can always decline the EIDL.
- Due to the unprecedented demand for the PPP and EIDL programs, we strongly recommend applying for the programs as quickly as possible. Applications will be processed on a first-come first-serve basis.
- Banks will likely assist their current customers first with PPP loans. Contact your local bank or credit union to determine if they are an SBA-certified lender. If not, visit www.sba.gov/paycheckprotection/find for a list of SBA lenders.
- If you do not accept an approved EIDL loan, you have six months to change your mind.

A Comparison of Small Business Disaster Loans Through the CARES Act

Paycheck Protection Program (PPP)



Short-term, potentially forgivable loans to eligible small businesses that retain employees, maintain payroll, and use for other allowable operating expenses.

PPP loans are administered and approved through SBA-certified lending institutions.

Amount: Lesser of 2.5x average monthly payroll costs, or \$10 million
Interest and Terms: 1% for a term of two years for any amount not forgiven
Collateral: None
Personal Guarantee: None

Private small businesses that have less than the greater of—

- 500 or fewer employees whose principal place of residence is in the United States, or
- SBA employee or revenue-based size standards for the industry that the business operates.

Accommodation and Food Service (NAICS 72) businesses based on per location.

Eligible—Limited to the amount spent on payroll costs and allowable operating expenses during the eight-week period beginning on the date of the origination of the loan.

At a minimum, 75% must be expended on payroll costs to be forgiven.

Proceeds may be used to pay payroll costs, mortgage interest, rent, utilities, and interest on pre-existing loans.

June 30th, 2020

Contact your local bank, credit union, or other SBA-certified lender to apply or for more information.

LOANS

Economic Injury Disaster Loan (EIDL)



Long-term, low-interest working capital disaster loans for small businesses that suffered substantial economic injury due to COVID-19.

EIDLs are administered and approved directly by the SBA.



Amount: Up to \$2 million
Interest and Terms: 3.75% for a term up to 30 years
Collateral: Loans of more than \$25,000
Personal Guarantee: Loans of more than \$200,000



Private small businesses that meet SBA employee or revenue-based size standards for the industry that the business operates.



FORGIVENESS

The EIDL loan is not forgivable, however you may apply for an EIDL loan advance, which you do not have to pay back. Applicants may request at the time of application a loan advance of up to \$10,000 (\$1,000 per employee). Approved borrowers will have the advance deducted from the total principal and forgiven for applicants not approved for an EIDL.



USE

Proceeds may be used to pay fixed debts, payroll, accounts payable, rent, utilities, and other bills that cannot be paid because of the disaster's impact.



DEADLINE

December 31st, 2020



APPLY NOW

Apply online directly with the U.S. SBA at <https://covid19relief.sba.gov>

Looking Ahead



Though it may not seem like it now, COVID-19 shall pass and we will, eventually, regain a sense of normalcy. Unsure about what to do next? Read on for tips and additional resources available to you:

▶ ***Start small***

You'll likely be overwhelmed by your to-do list once the smoke clears. Take it one task at a time and focus on small goals and victories.

▶ ***Consider the glass half-full***

In so many ways, COVID-19 has been a horrific tragedy. However, dwelling on what you cannot control isn't going to help you or the business you worked hard to build. Try to focus on the positives. Use this time to be present with yourself. For example, were you constantly traveling and never with your family? Use this time as an opportunity to gain control of your work-life balance and define new goals for moving forward. Further, COVID-19 is a massive disruption to us all. But with disruption comes opportunity. What have you learned during this time that will benefit you and your business in the future? Use these lessons to help propel you to even greater business success and resiliency.

▶ ***Develop/refine your disaster plan***

Now is the time to develop and refine your disaster plan. Unfortunately as we've learned through this experience, disasters can happen to anyone and it's a matter of "when" not "if" one will occur, especially given our annual threat of hurricanes. Use this time to prepare for the next potential business interruption.

▶ ***Know help is available.***

We are in unprecedented times, but know that you're not alone. During any disaster, the **Virgin Islands Small Business Development Center (VI SBDC) Network** is here to help your business recover. Our team of disaster specialists can assist you with understanding, preparing, and submitting your loan applications and with other post-disaster challenges at no cost.



With 2 offices in the territory, there's an SBDC office within your district. To best protect you and our staff members, all SBDC offices are operating remotely during this time and consultants are available via phone, email, or video-conference only.

For more information, please visit www.visbdc.org.

The VI SBDC was established in 1985 as a Provider of Small Business Assistance.

The Virgin Islands Small Business Development Center (VI SBDC) is partially funded by the U.S. Small Business Administration. Such funding does not constitute an expressed or implied endorsement of any of the co-sponsors or participants' opinions, products or services. VI SBDC is committed to the policy of providing equal opportunity for all persons and does not discriminate in employment, admissions, programs or any other educational function and service on the basis of sex, age, handicap, national origin, color or religion.