

Coronavirus/COVID-19 Small Business Update

There are currently three programs available to small businesses (this is exclusive of the Federal \$2 trillion stimulus package which looks likely to be signed into law today):

- Iowa Small Business Relief Grant Program
- Iowa Tax Deferral Program
- Federal SBA Economic Injury Disaster Loans Program

Following is a summary of each program. Important to note, there is a tight deadline of **March 31 at 12 (noon)** for the Iowa programs.

IOWA - SMALL BUSINESS RELIEF GRANT PROGRAM & TAX

DEFERRAL (copied from the IOWA Economic Development's website)

FINANCIAL ASSISTANCE & TAX DEFERRAL FOR BUSINESSES AFFECTED BY COVID-19

On March 23, Governor Reynolds announced the launch of a new Iowa Small Business Relief Program to provide financial assistance to small businesses economically impacted by the COVID-19 pandemic. The program offers grants ranging from \$5,000-\$25,000, in addition to offering a deferral of sales and use or withholding taxes due and waiver of penalty and interest to eligible businesses.

- Funds can be used to assist eligible businesses in maintaining operations or reopening business following the COVID-19 pandemic
- Funds may not be used to pay debts incurred prior to March 17, 2020
- **Application deadline is Tuesday, March 31 at 12 p.m. (noon)**
- Please be patient and try again later if you're unable to access the online application. **The program is NOT first-come, first-served.** Each completed application received will be reviewed

Applicants will need access to standard business ownership information, including primary address, contact information, FEIN, withholding permit number, sales tax permit number, etc. as applicable. **Please have this information ready before starting the online application. Carefully review your information before you submit your final application. Once an application has been submitted, we are unable to make modifications to your application.**

Documents Required for Upload in the Online Application

- 3-month income statement
- Revenues - March 2019
- Revenues - March 2020 to date
- Balance Sheet (as of application date)
- Payroll prior to March 17, 2020

- Completed Business [W-9 form](https://www.irs.gov/pub/irs-pdf/fw9.pdf) www.irs.gov/pub/irs-pdf/fw9.pdf
- Additional fields may include:
 - Date of business establishment
 - Description of Economic Impact Loss (loss of sales or revenue)
 - Number of employees on March 1
 - Number of employees working remotely as a result of the disaster
 - Estimated loss of revenues March 15, 2020 - April 15, 2020
 - Description of how funds will be utilized to maintain operations or reopen after the disaster

IOWA SMALL BUSINESS RELIEF GRANT

Eligibility

- Must be experiencing business disruption due to COVID-19 pandemic; and
- Must have employed between 2-25 people prior to March 17, 2020; and
- Must have a physical location in Iowa
- Applications will be reviewed for eligibility, and grant amount will be determined by the level of impact, including loss in sales revenue and employees
- Notification of award decisions and disbursement of grant funds will be made in early April and disbursements shortly thereafter

IOWA BUSINESS TAX DEFERRAL

Eligibility

- Must be experiencing business disruption due to COVID-19 pandemic; and
- Must have a physical location in Iowa

How to Apply (same application is used for both programs)

[Complete and submit the application](#) (If this link isn't working, application can be found at: <https://www.iowaeconomicdevelopment.com/reliefgrants>)

- [Read the FAQs from the Iowa Department of Revenue](#); <https://tax.iowa.gov/COVID-19>

Statement from Iowa Economic Development: *Due to the anticipated volume of applications, staff will work diligently to review and respond to requests. A complete application is not a guarantee of financial assistance or tax deferral.*

SBA – ECONOMIC INJURY DISASTER LOANS

The U.S. Small Business Administration (SBA) is offering designated states and territories low-interest federal disaster loans for working capital to small businesses suffering substantial economic injury as a result of the Coronavirus (COVID-19). Iowa businesses have been declared eligible for federal disaster loans as provide by the Coronavirus Preparedness and Response Supplement Appropriations Act.

What businesses are eligible to apply?

SBA's Economic Injury Disaster Loans (or working capital loans) are available to small businesses, small agricultural cooperatives, small aquaculture businesses and most private non-profit organizations

This includes:

- Businesses directly affected by the disaster
- Businesses that offer services directly related to the businesses in the declaration
- Other businesses indirectly related the industry that are likely to be harmed by losses in their community

(Example: Manufacturer of widgets may be eligible as well as the wholesaler and retailer of the product.

What is the criteria for a loan approval?

- Credit History-Applicants must have a credit history acceptable to SBA.
- Repayment –SBA must determine that the applicant business has the ability to repay the SBA loan.
- Eligibility- The applicant business must be physically located in a declared county and suffered working capital losses due to the declared disaster, not due to a downturn in the economy or other reasons.

How much can I borrow?

- Eligible entities may qualify for loans up to \$2 million.
- The interest rates for this disaster are 3.75% for small businesses and 2.75% for nonprofit organizations with terms up to 30 years.
- Eligibility for these working capital loans are based on the size (must be a small business) and type of business and its financial resources.

How can I use the loan funds?

These working capital loans may be used to pay fixed debts, payroll, accounts payable, and other bills that could have been paid had the disaster not occurred. The loans are not intended to replace lost sales or profits or for expansion.

What are the collateral requirements?

- Economic Injury Disaster Loans over \$25,000 require collateral.
- Available business assets will need to be pledged. For COVID-19 EIDL loans, SBA is waiving the requirement to pledge personal real estate.
- SBA will not decline a loan for lack of collateral, but requires borrowers to pledge what is available.

What kinds of small businesses can apply?

Examples of eligible industries include but are not limited to the following: hotels, recreational facilities, charter boats, manufactures, sports vendors, owners of rental property, restaurants, retailers, souvenir shops, travel agencies, and wholesalers.

Businesses specifically that are ineligible for an Economic Injury Disaster Loan?

- Agricultural Enterprises -If the primary activity of the business (including its affiliates) is as defined in Section 18(b)(1) of the Small Business Act, neither the business nor its affiliates are eligible for EIDL assistance.
- Religious Organizations
- Charitable Organizations
- Gambling Concerns (Ex: Concerns that derive more that 1/3 of their annual gross revenue from legal gambling activities)

- Casinos & Racetracks (Ex: Businesses whose purpose for being is gambling (e.g., casinos, racetracks, poker parlors, etc.) are not eligible for EIDL assistance regardless of 1/3 criteria above.

What other criteria is involved?

The applicant business must have a physical presence in the declared disaster area. An applicant's economic presence alone in a declared area does not meet this requirement. The physical presence must be tangible and significant. Merely having a P.O. Box in the disaster area would not qualify as a physical presence.

SBA's Working Capital Loans are Different from Other SBA Loans

- SBA's Economic Injury Disaster Loan (EIDLs) funds come directly from the U.S. Treasury.
- Applicants do not go through a bank to apply. Instead apply directly to SBA's Disaster Assistance Program at: DisasterLoan.sba.gov
- There is no cost to apply.
- There is no obligation to take the loan if offered.
- The maximum unsecured loan amount is \$25,000. Loans over \$25,000 up to \$2 million must be secured to the maximum amount possible.
- Applicants can have an existing SBA Disaster Loan and still qualify for an EIDL for this disaster, but the loans cannot be consolidated.

Basic Filing Requirements

- Completed SBA loan application (SBA Form 5) – (5C Sole Proprietorship Only).
- Tax Information Authorization (IRS Form 4506T) for the applicant, principals and affiliates.
 - 20% Owners/GP 50% Affiliate
- Complete copies of the most recent Federal Income Tax Return.
 - If the most recent Federal income tax return has not been filed, a year-end profit-and-loss statement and balance sheet for that tax year.
- Schedule of Liabilities (SBA Form 2202).
- Personal Financial Statement (SBA Form 413) 20% Owners/GP.
- Other Information may also be requested.
 - *Although a paper application and forms are acceptable, filing electronically is easier, faster and more accurate.
- Other information that may be requested:
 - Complete copy, including all schedules, of the most recent Federal income tax return for principals, general partners or managing member, and affiliates (see filing requirements for more information).
 - A current year-to-date profit-and-loss statement.
 - Additional Filing Requirements (SBA Form 1368) providing monthly sales figures.

How to Apply

- Applicants may apply online using the Electronic Loan Application (ELA) via SBA's secure website at <https://disasterloan.sba.gov/ela>.
- Paper loan applications can be downloaded from this web page - <https://disasterloan.sba.gov/ela/Information/PaperForms>. If submitting a paper application, completed applications should be mailed to: U.S. Small Business Administration, Processing and Disbursement Center, 14925 Kingsport Road, Fort Worth, TX 76155.
- Disaster loan information and application forms may also be obtained by calling the SBA's Customer Service Center at 800-659-2955 (800-877-8339 for the deaf and hard-of-hearing) or by sending an email to disastercustomerservice@sba.gov.

Submit your SBA Application as Soon as Possible

- Recheck the filing requirements to ensure that all the needed information is submitted.
- The biggest reason for delays in processing is due to missing information. Make sure to complete all filing requirements before submitting the application and forms.
- If more funds are needed, applicants can submit supporting documents and a request for an increase. If less funds are needed, applicants can request a reduction in the loan amount.
- If the loan request is denied, the applicant will be given up to six months in which to provide new information and submit a written request for reconsideration.

According to lender relations at the Iowa District Office: “The main thing at this point is to get the application in and if there are adjustments that need to be made in areas that aren’t clear, you can work those through with the loan officer assigned. Under a more typical disaster, you might be able to ask the Disaster Loan Customer Service Center these questions ahead of time (they’re the only referral I can give you) but they’re so **inundated right** now it would probably be several days before you receive a response. I think your better option is to get the app in, get assigned a loan officer, and then work out the information areas you were unsure about”

Free assistance with reconstructing financial records, preparing financial statements and submitting the loan application is available from any of SBA’s partners: Small Business Development Centers (SBDCs), SCORE, Women’s Business Centers (WBC), and Veteran’s Business Outreach Centers. Other organizations, such as Chambers of Commerce and other economic development entities may be willing to assist as well.

- Iowa Small Business Development Centers – www.iowasbdc.org
- SCORE – <https://www.score.org/find-location>
- Iowa Women’s Business Center - <http://theiowacenter.org/womensbusinesscenter/>
- Veterans Business Outreach Center - <https://www.vetbiz.com/>

The SBA has a slide deck that most the above was recapped from as well as providing guidance on how to complete the Electronic Business Application. Please contact your local LattaHarris office if you would like a copy of the file (6MB so not including in this general e-mailing).

Also attached is a new Employee Rights labor law poster associated with the Families First Coronavirus Act now required displayed at your business.

Hopefully the above information has been useful. Please contact your tax advisor at LattaHarris if you have financial questions while completing any of the above processes.

We will also keep the most updated information and applicable links on our website www.lattaharris.com and social media postings. Please monitor these for any further updates or developments affecting these or other COVID-19 issues.

Thank you for giving us the privilege to be your trusted tax preparer and consultant.

LattaHarris, LLP