

SBA 2020 Economic Injury Disaster Loan Assistance Program

Apr 24, 2020 - \$60B more appropriated -- May 4, 2020: Application portal reopens for Agribusinesses

Background: U.S. Small Business Administration announced on March 12, 2020, that they will be offering low-interest **Economic Injury Disaster Loans (EIDL)** to help businesses cover any unmanageable expenses caused by the COVID-19 outbreak. The passage on March 27 of The **Coronavirus Aid, Relief, and Economic Security (CARES)** Act added a \$10K grant component. The CARES Act also approved other aid/loans for small businesses i.e., “Paycheck Protection Program” (PPP)...those topics are not covered here.

- For small businesses, including Agribusinesses (at least 1 year in business) up to \$2 million in assistance and can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing.
- Loan amount will be approximately based on the amount needed to float 6 months of monthly bills. These “working capital” loans can be used to pay fixed debts, payroll, accounts payable, and other bills that could have been paid had the disaster not occurred. They are not intended to replace lost sales or profits. Loans cannot be used to pay down or consolidate long term debt
- Applicant does not request a specific amount; SBA determines the loan amount. Loans will be approved based on credit history and ability to repay on a case by case basis, and (**New!**: personal guarantees is not required for loans under \$200K)
- The interest rate is 3.75% for small businesses. The interest rate for non-profits is 2.75%.
- Collateral is not required on loans under \$25K; Collateral is required on loans over that amount.
- These loans come with long-term repayments in order to keep payments affordable, 15 years, up to a maximum of 30 years. Terms are determined on a case-by-case basis, based upon each borrower’s ability to repay.
- There is no prepayment penalty and a 1-year repayment deferment is available. (**New!**: interest payments now deferrable up to 4 years)
- Should your initial loan amount not be sufficient, you can come back to request additional funds
- If a loan is denied an applicant will be referred to SBDC to assist in providing additional information and will have up to 6 months to request reconsideration under the same application.
- (**New!**: Immediate EIDL advance of \$1000 x #employees on Jan 31, 2020 up to a cap of \$10,000 with funds made available within 3 days of a successful application (need not repay even if EIDL denied -hence a grant)

Qualifications: The following is the general SBA loan eligibility criteria laid out by the SBA (some of these may be waived or expedited for this disaster loan):

- You must be a registered business or non-profit: Your business is officially registered and operates legally under federal and state laws. (**New!**: 4/3/20 clarification that Faith-Based Organizations are eligible)
- You must do business in the US: Your business is physically located within the United States and operates in the U.S. or its associated territories.
- You’ve invested equity: As business owner, you’ve invested your own time/money in business.
- You have exhausted all financial options: (You are unable to receive funds from any other financial lender. You do not have significant assets that are easily liquidated such as a savings.)
- Your business must be a “small business” (at least 1 year in business) as defined for your industry by the SBA: The number of employees and average annual receipts falls within the small business size standard for your industry. [Check SBA size standards table.](#)
- You’re able to repay: Being a loan, you must show the ability to repay, which can be showcased through your projected cash flow statements. (more qualifications next page...)
- You have a sound business purpose: You must outline how the money will be spent and how it services your business.

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- There are some businesses that are **not eligible** for these loans – casinos, racetracks, religious or charitable organizations – **New!** 4/24/20: CARES Act 2 adds agricultural businesses as eligible along with previous aquaculture concerns and agricultural cooperatives.

Application Process: The EIDL application SBA website/process has been streamlined (3/30/2020) and is located at: <https://covid19relief.sba.gov/#/>

UPDATED 4/24/2020: Third Relief Package passed adding \$60B to EIDL

UPDATED 5/4/2020: The EIDL application portal opens on limited basis for Agribusinesses...

Applicants who have already submitted their applications (your EIDL confirmation number begins with a “3”) will continue to be processed on a first-come, first-served basis.

EIDL Advances have already started appearing in some applicant banking accounts (with no email nor other notification -so check your bank accounts) and the balance of the EIDL is still being computed.

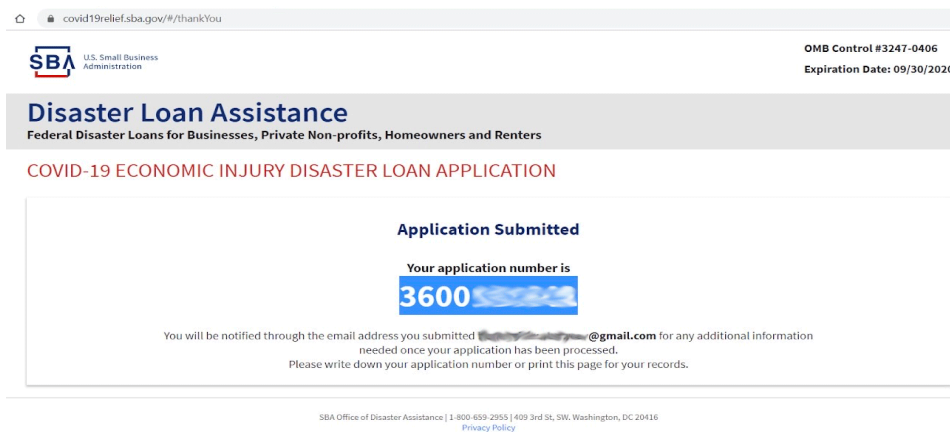
Note that there will be 5 webpages of questions and you should know your 2019 monthly SALES and Cost of Goods Sold numbers:



Upload of any SBA **Forms are no longer asked for** in this application, however in the later vetting process, a loan officer may contact you to request more detail via some of the SBA Forms listed below.

Note that this streamline application also incorporates the request for the “up-to-\$10,000” advance at the end, There’s a **check box for “Do you want the Advance?”** and if so, you **MUST** provide your bank name, routing number and your bank account number. This is to facilitate quick delivery of the advance portion via bank direct deposit. (see *FAQ next page about the advance*)

Successful completion of this process will result in a final screen with an application submitted **confirmation number** and confirmation of the **email address** on record to contact you.



Any questions, please contact the SBA at: 1-800-659-2955 or (TTY) (800) 877-8339

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Frequently asked questions:

Q: EIDL Applications closed.—In the same week that EIDL Advances starting to be disbursed, as of April 15, 2020, the EIDL application website no longer allows new applications due to very high demand and exhaustion of limited appropriations funding. The following message is all that is displayed: ~~The SBA is unable to accept new EIDL COVID-19 applications at this time based on available appropriations funding. Already confirmed received applications (# starts with “3” are still being processed both the advance and the balance of the bulk of the Loan. Additional \$60B added to EIDL on 4/24/20 however still awaiting word from SBA on reopening of EIDL application portal.~~—IT appears that the Application portal has reopened!

Q: The “up to \$10,000” Advance was added on creating a lot of confusion because it was retrofitted to the already running EIDL program. As mentioned at the top of this guidance document, EIDL was enacted March 12, 2020 -Hawaii became eligible March 20 then a full week later, on March 27, President Trump signs into law the **Coronavirus Aid, Relief, and Economic Security (CARES) Act** which adds to the pre-existing EIDL an “Advance” of “**up to \$10,000**” along with a quick delivery promise of 3 working days from approval of an EIDL application. Because any Advance need not be repaid, even if the loan was ultimately denied -it sent an erroneous message that the “government was giving away \$10,000 grants to small businesses...” that completely overshadowed the original message of the EIDL. Furthermore, the late timing in adding the Advance feature to the already launched EIDL application process required the application process to be stopped, redesigned and restarted (twice) causing confusion with a frenzy of applications and re-applications. Most recently, on April 6 the SBA Massachusetts District Office announced in a bulletin that, nationwide, the SBA has decided to implement an **advance calculation of \$1,000 per employee** (employee count based on pre-COVID levels aka Jan 31, 2020), **up to a maximum advance of \$10,000**. So, a business with three employees on Jan 31, 2020, for example, would be eligible to receive \$3,000 up front. Senator Schatz of Hawaii announced via his website the same detail about the amount of advances: <https://www.schatz.senate.gov/coronavirus/small-businesses/sba-economic-injury-disaster-loan-and-emergency-grant> .

Q:What Forms might an EIDL Loan manager ask for Later? The new streamline EIDL Application can be completed in under 30 minutes. While SBA forms are no longer required to be filled and uploaded, the [SBA Form 1368](#) can be especially useful as a **financials preparation worksheet** so that you’ll already have your financial numbers calculated and ready for data entry into the streamline web application. Furthermore, later, during your application review if you are contacted by a Loan Officer for details on the financials submitted previously, you’ll already have documentation ready to upload.

- [Additional Filing Requirements \(SBA Form 1368\)](#) for monthly sales figures. This form establishes and quantifies that claimed economic injury is substantial and is a direct result of the COVID-19 disaster. Substantial economic injury generally means a decrease in income from operations or working capital with the result that the business is unable to meet its obligations and pay ordinary and necessary operating expenses in the normal course of business.

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If after submitting the application you are contacted by an SBA Loan Officer for more information, here are the forms that you might be asked to submit. For your convenience an archive of all these forms is located at the Hawaii SBDC website at:

<https://www.hisbdc.org/Portals/0/maui/SBA-EIDLForms.zip>

Here is a description of the Preparation/Additional Forms (again no longer requested at online application but may be request later by a loan officer if clarification is needed):

- Tax Information Authorization ([IRS Form 4506-T](#) + [Instructions](#)), completed and signed by each applicant, each principal owning 20 percent or more of the applicant business, each general partner or managing member; and, for any owner who has more than 50 percent ownership in an affiliate business. Affiliates include, but are not limited to, business parents, subsidiaries, and/or other businesses with common ownership or management. Be sure the name on your tax returns matches the business name under which you are applying.
- Only if loan amount will be greater than \$500K, complete copies, including all schedules, of the most recently filed Federal income tax returns for the applicant business; an explanation if not available. Submitting signed IRS Form 4506-T required but not your own copy of a return.
- Personal Financial Statement ([SBA Form 413D](#)) completed, signed, and dated by the applicant, each principal owning 20 percent or more of the applicant business, and each general partner or managing member
- Schedule of Liabilities listing all fixed debts ([SBA Form 2202](#) + [Instructions](#)). SBA only wants to know about notes payable, mortgages, short and long term liabilities, etc., not utilities or any operating expenses. Many people at getting too caught up with this form.

Q: Are EIDL Loans Taxable? What about EIDL Advance (*grant*)?

Under federal law, loans are not table income, however Grants are taxable income, and states almost invariably incorporate this provision into their own codes.

For Hawaii, NONE of the COVID-19 Loans, grants nor forgiven amounts are subject to Hawaii State General Excise Tax (GET).

See next page for **Tax Table Summarizing Hawaii Tax Treatment of Federal COVID-19 Programs**

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Hawaii State Summary Refer to May 4, 2020 TAX INFORMATION RELEASE NO. 2020-02
 (REVISED) RE: **Hawaii Tax Treatment of Various Federal COVID-19 Relief Programs and Payment**

https://files.hawaii.gov/tax/legal/tir/tir20-02_rev.pdf

Summary of State and Federal Tax Treatment of CARES Act Funds

Description		Federal Income Tax	State Income Tax	State GE Tax
INDIVIDUAL INCOME PROGRAMS				
Economic Impact Payment	Payments made to qualifying individual taxpayers of up to \$2,400, depending on adjusted gross income and filing status. Qualifying taxpayers may also receive \$500 per qualifying child.	No	No	No
Pandemic Unemployment Assistance (PUA)	Provides up to \$648 per week for those who ordinarily may not be eligible for unemployment benefits, such as business owners, self-employed persons, independent contractors, and others, that are out of business or whose services are significantly reduced as a direct result of the COVID-19 pandemic.	Yes	Yes	No
Federal Pandemic Unemployment Compensation (FPUC)	Additional \$600 per week of unemployment compensation for employees who are eligible for unemployment benefits.	Yes	Yes	No
SMALL BUSINESS PROGRAMS				
Paycheck Protection Program (PPP)	Forgivable loans to small businesses.	No	No*	No
Economic Injury Disaster Loan Emergency Advances (EIDL Grant)	Loan advances of up to \$10,000 made to small businesses, which does not need to be repaid.	Yes	Yes	No
Economic Injury Disaster Loans (EIDL)	Loans up to \$2,000,000.	No	No	No

**DOTAX intended recommendation to Hawaii State Legislature.*

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