

What *Small Business Owners* Should Know about the Additional Funding Package: A Summary

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This article summarizes the additional funding legislation signed into law by President Trump on Friday, April 24, 2020.

The Paycheck Protection Program and Health Care Enhancement Act (the "Package") delivers additional funding to the federal financial aid programs for small businesses that were established under the Coronavirus, Aid, Relief, and Economic Security Act ("CARES Act"). The Package provides approximately \$484 Billion in additional funding for the Paycheck Protection Program ("PPP") and Economic Injury Disaster Loan Program ("EIDL"), which were established (in the case of PPP) or authorized (in the case of EIDL) under the CARES Act.

These Acts provide loans and grants to small businesses, defined in general as those businesses having 500 employees or less, facing economic devastation due to the coronavirus pandemic. Both the PPP and EIDL are administered by the Small Business Administration ("SBA"). The Package further provides \$75 billion in financial relief to hospitals and healthcare providers to address expenses related to coronavirus care, and also provides an additional \$25 billion to facilitate and expand coronavirus testing.

THE CARES ACT

The CARES Act was signed into law by President Trump on March 27, 2020, as a large-scale emergency response to the ongoing economic crisis caused by the global coronavirus pandemic. It provided billions of dollars in economic relief to certain groups hard-hit by the pandemic, with a primary focus on small businesses. For a substantive overview of the PPP and EIDL Programs, see our prior [Alert](#). However, by April 16, 2020, the funds allocated for these programs were completely exhausted, resulting in outcry by the small business community for Congress to provide additional funding, which has now been provided via the Package.

THE PACKAGE

Paycheck Protection Program Loans

The Package provides the Paycheck Protection Program with an additional \$310 billion to be distributed as forgivable loans, up to \$10 million per eligible small business, distributed by SBA-selected financial institutions.

These loans cover only “payroll expenses” (including employee compensation such as wages, salaries, or commissions (subject to certain restrictions), health benefits and related insurance premiums, retirement benefits, and payment for employee vacation, sick, parental, or medical leave, rent payments, mortgage payments (interest only), and/or utility expenses.

Of this additional \$310 billion appropriation, \$60 billion will be set aside specifically for smaller-scale lending institutions, such as “community financial institutions, small insured depository institutions and credit unions with assets less than \$10 billion.”

Disaster Recovery Loans

The Package further provides an additional funding of \$50 billion for disaster recovery loans under the EIDL Program.

This program provides small businesses with non-forgivable EIDL loans of up to \$2 million to help them overcome the temporary loss of revenue following a statewide economic injury declaration, which now has been expanded to include the coronavirus pandemic.

Under the CARES Act, EIDL loans can specifically be utilized for “Qualified Expenses”: maintaining payroll to retain employees; paying sick leave to employees unable to work due to the coronavirus; covering increased costs for necessary materials due to supply chain issues; making rent or mortgage payments; and repaying obligations that cannot otherwise be met due to revenue losses.

Emergency Grants

Finally, the Package provides additional funding of \$10 billion for emergency grants under the EIDL Program. This allows potential EIDL borrowers to request an emergency grant of up to \$10,000 per business to be paid within 3 days of the SBA’s receipt of its EIDL loan application.

The emergency grant, which does not need to be repaid, must be used to cover the business’s immediate eligible operating costs and must be used for Qualified Expenses.

CONCLUSION

Beyond providing the aforementioned additional funding, the Package does not otherwise modify any of the eligibility requirements, or amend substantive provisions, of the Paycheck Protection Program or EIDL Program established under the CARES Act.

This summary should not be relied on in specific instances without the advice of your lawyer or tax advisor.

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