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F.A.Q. on Coronavirus Relief for Small Businesses, Freelancers and More

Many small companies and nonprofits are eligible for federal grants and low-interest loans. But red tape abounds.

By Stacy Cowley

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The federal stimulus bills enacted last month, including a bipartisan $2 trillion economic relief plan, offer help for the millions of American small businesses affected by the coronavirus pandemic.

The provisions include cash grants, low-interest loans and payments to offset eight weeks of payroll costs for businesses that retain workers or rehire those they have laid off. There are also enhancements to unemployment insurance and paid leave that affect small businesses.

Here are the answers to common questions about these programs. We'll update this article as we learn more about the details.

More information on help, including details on the stimulus checks that many people will be receiving, can be found in our F.A.Q. for individuals about stimulus relief and our Hub for Help. If you have questions, or have applied for small business aid and can tell us how the process went, we'd love to hear from you.

The Basics

Who is eligible for relief?

Businesses and nonprofit organizations with fewer than 500 workers are eligible for aid, including sole proprietorships, independent contractors and freelancers. Larger companies in some industries are also eligible.

What help is being offered?

There are two main federal aid programs, which are being managed by the Small Business Administration. Business owners can get help from both at the same time, but there are some restrictions.

The paycheck protection program is a forgivable loan intended to pay for eight weeks of a business's payroll costs, so the company can retain workers or hire back those it has already laid off.

The government has also expanded the existing economic injury disaster loan program, which offers low-interest loans to cover most business expenses. A portion of those loans do not have to be paid back.

Will the money for these programs run out?

Probably yes, and possibly quickly. Both programs have limited funding and are first come first served. President Trump and others in his administration have said they will ask Congress for more money if the aid runs out, but Congress will have the final say.

See below for the specifics of each program.

Paycheck Protection Program

What does this do?

The program offers loans of up to $10 million to cover eight weeks of payroll plus some additional expenses, like rent and utilities.

The loan can effectively turn into a grant. Most, and in some cases all, of the loan will be forgiven if a company uses the money to retain workers or hire back positions it had to cut. The S.B.A. has waived many of its usual requirements for these loans and will not require collateral for them.

How does the loan forgiveness work?

Both full and partial forgiveness is available.

Businesses can have their loans forgiven in full if they maintain their full-time equivalent head count (based on a 40-hour workweek) and wages for eight weeks after the loan is disbursed, the Treasury Department said. The agency said that “not more than 25 percent” of the forgiven amount may be used for nonpayroll costs, like rent.

Forgiveness will be “reduced” for companies that trim their head count or cut workers’ wages by more than 25 percent, the Treasury said. Also, businesses can borrow and have forgiven only the first $100,000 in payroll for each employee.

If a business uses money from the economic injury disaster loan program to cover payroll, it can try to refinance it through the paycheck protection program and be eligible for forgiveness.

How much can I borrow?

Companies can borrow up to two months of their average monthly payroll costs for the past year, plus an additional 25 percent, up to $10 million. “Payroll costs” include salary, wages, tips, commissions, paid leave benefits, employer-paid health insurance premiums, and state and local payroll taxes.

What if I already laid off my workers?

It appears that you can still have your loan forgiven if you hire them back before the loan money hits your account.

The program generally uses Feb. 15, 2020, for calculating your pre-pandemic payroll. (Seasonal businesses can use a different date.) As long as workers laid off after that date are brought back before the disbursement date, the layoffs don’t affect eligibility for full forgiveness.

But some businesses will need time to bring back workers. Several lenders said the rules appeared to allow applicants to choose a date between now and June 30, 2020, for their loan to be disbursed, but most are still trying to work through the technical details involved in that.

Lawmakers are asking for more information. “Please provide clear guidance on when the eight-week period begins and ends,” Representative Nydia M. Velázquez, a New York Democrat who is chairwoman of the House Small Business Committee, wrote in a letter to Treasury and S.B.A. officials on Tuesday.

I’m self-employed. How do I calculate my payroll cost?

The CARES Act text says that you can claim your “wage, commission, income, net earnings from self-employment or similar compensation,” up to $100,000 a year. You may need to work with your accountant or lender to confirm what qualifies.

I have a lot of part-time workers and independent contractors. Can I include them in my payroll calculation?

You can use the loan to cover payments to your part-time employees, based on their pre-pandemic average hours and earnings.

But independent contractors and gig workers aren’t covered in your payroll calculation. They are eligible to apply for their own paycheck protection program loans.

How do I apply?

You must apply through a bank or other lender, so start by contacting one you already have a relationship with. Many banks are imposing restrictions and choosing to work only with their existing business customers.

The Treasury Department has said it wants financial technology companies and lenders that have not traditionally participated in S.B.A. programs to make paycheck protection program loans. More of those lenders might join the program in the coming weeks, but there's significant red tape involved; many of those who said they want to participate are struggling to be approved.

The S.B.A. has a search tool to help you find nearby lenders, but — again — they may not take new customers.

Some lenders have said they will work with new customers. They include Ready Capital (a nonbank lender that already had approval to make S.B.A. loans) and Kabbage (an online lender that teamed up with a bank). If you are, or know of, other lenders accepting new customers, please send us a note.

Why does my bank say it's not ready to take applications yet?

There have been a lot of problems getting the program off the ground as quickly as promised.

The Treasury Department said the program would start taking applications on April 3, a week after the bill was signed into law. But the department didn't give lenders necessary technical information until just hours before the program was scheduled to start — and lenders are still waiting for some key guidance and documents, bankers said. Many are still developing their application rules and systems.

How much hardship do I have to have to apply?

There are no specific requirements. You do not need to prove a sharp drop in sales or a forced business closure, for example.

Applicants simply have to certify that "current economic uncertainty makes this loan request necessary" to support their ongoing operations.

What documents do I need?

Each lender will set its own rules, but this sample loan application covers the basics. You'll need to document your average monthly payroll (generally as of Feb. 15, 2020) and provide records on other expenses you're looking to cover, like rent and utilities.

Once it's time to ask for the loan to be forgiven, expect your lender to ask for more documentation.

What if my loan is only partly forgiven?

You'll have two years to pay off the balance, at a 1 percent interest rate. No payments are due for the first six months after you get the loan.

What's the application deadline?

June 30.

That's the date Congress set for disbursement of the $349 billion it allocated for the program, but the money is likely to run out faster. That means some applicants will be turned away unless Congress authorizes more funding. On Tuesday, the Treasury Department said it would request at least another $200 billion.

Economic Injury Disaster Loans

What does this program do?

This is a longstanding program offering low-interest loans of up to $2 million for businesses that have suffered losses from some kind of disaster. The loans are made directly by the S.B.A., and you can apply on its website. You don't have to go through a bank.

Federal legislation in response to the pandemic committed more money and relaxed some of the S.B.A.'s usual requirements for disaster loans. It also added a provision essentially offering applicants small grants.

Does this program offer loan forgiveness?

Partly. Businesses can request up to $10,000 of a disaster loan as a grant. It's described on the application as a "loan advance," but S.B.A. officials confirmed that it did not have to be repaid. Borrowers will be on the hook for the rest.

The CARES Act made the $10,000 grant available to any qualified applicants, whether they are approved for a loan or not. But the S.B.A. appears to be imposing an additional restriction: A spokeswoman said the amount available to any individual business would be "based on the number of predisaster employees."

The agency did not respond to questions about how the formula will work. A message posted on the website of Senator Brian Schatz, Democrat of Hawaii, a member of the Senate Banking Committee, said the S.B.A. had limited the advance and was providing $1,000 per employee for up to 10 employees.

What do I need to know about repayment?

The rest of the loan can be repaid on a term of up to 30 years. The interest rate is 3.75 percent for small businesses and 2.75 percent for nonprofits. No payment is due for the first year.

Is there a catch?

Yes, but it's not as big as before.

Usually, disaster loans require a "personal guarantee" of repayment, meaning that the S.B.A. can seize your personal assets — like your house, if you own one — if you default.

But in response to the pandemic, the S.B.A. is changing that.

It will not require a personal guarantee on loans of less than $200,000. Business assets, like machinery and equipment, can be used to secure loans of up to $500,000, an agency spokeswoman said.

Larger loans will require real estate — whether it's your business's or your own — if you have it. If you don't, the agency said, it will not turn borrowers away because they lack collateral.

What documents do I need to apply?

The online loan application is designed to be simple and can be completed in about 15 minutes. You'll need to know your business's gross revenues and cost of goods sold for the 12 months that ended Jan. 31, 2020.

When the agency processes your loan, it may request additional material, including federal tax returns and a year-to-date profit-and-loss statement.

When will I get the money?

The S.B.A. is supposed to disburse up to $10,000 — the portion that does not have to be repaid — within three days of receiving an application from an owner who self-certifies that he or she is eligible for the aid.

Potential borrowers say that time frame is not being met. More than two dozen applicants who contacted The New York Times said they had been waiting a week or more. (If you have applied, please let us know how the process went.)

In normal times, it typically takes around two weeks for the S.B.A. to make a decision on a disaster loan application, and up to a week after that for the loan check to be disbursed.

How much can I borrow?

For these loans, you don't request an amount. The S.B.A. will determine how much you can borrow using a formula intended to approximate six months of your operating expenses.

To calculate that, the agency will generally subtract the cost of goods sold from revenue and loan you up to half of that sum.

What can I use the money for?

The loans cannot be used to refinance previous loans; anything else is fair game. If you use money from a disaster loan to pay your employees, you can try to refinance through the paycheck protection program, which allows for the loan to be forgiven.

What's the application deadline?

Portions of the program, like the $10,000 grants, end on Dec. 30, 2020.

Other Questions

I'm a freelancer or sole proprietor. Am I eligible for unemployment if I'm no longer working?

Yes. Self-employed people are newly eligible for benefits.

Benefits will be based on previous income, using a formula from the disaster unemployment assistance program, according to a congressional aide.

Self-employed workers will also be eligible for the additional $600 weekly benefit provided by the federal government as part of the CARES Act.

If my business is still operating, do I need to provide my workers with paid family leave and paid sick leave?

It depends on how big your company is.

A new law requires businesses with fewer than 500 workers to give qualified workers two weeks of paid sick leave if they are ill, quarantined or seeking diagnosis or preventive care for coronavirus, or if they are caring for sick family members. It gives 12 weeks of paid leave to people caring for children whose schools are closed or whose child care provider is unavailable because of the coronavirus. There is a daily maximum amount, and the government will reimburse employers.

Companies with fewer than 50 employees can opt out of providing paid leave for the care of children whose school or day care is closed, but they must still give their employees paid sick leave. Companies with more than 500 employees are not obligated to give either kind of leave.

Employers can claim refundable tax credits to cover the cost of their employees' leave. Our F.A.Q. on the paid leave law has more information on the specifics.

I'm having trouble paying my bills. What can I do?

If you already have a loan backed by the S.B.A., there's good news: The agency is paying in full for six months the monthly payments (principal and interest) on existing loans and any new ones made before Sept. 27, 2020. The relief applies to borrowers with 7(a), 504 and microloans. Congress estimates that will help 320,000 borrowers.

Borrowers with existing disaster loans are eligible for a payment deferral through the end of the year, but interest will continue to accrue.

Many banks, landlords and other creditors have said that they will work with borrowers affected by the pandemic, but it is generally up to them what aid, if any, they are willing to offer.

I'm keeping some or all of my workers, and I don't want a loan. Is anything else available?

The employee retention credit is a refundable tax credit for employers of all sizes who hang on to their workers through the pandemic. It offers a 50 percent credit on up to $10,000 in wages per employee, meaning the credit will be for up to $5,000 per worker. It's available on wages paid between March 12, 2020, and Jan. 1, 2021, and companies can file with the I.R.S. for an advance payment on the credit.

Companies are eligible if the government ordered them to fully or partially close, or if they have a drop of at least 50 percent in their gross receipts. Eligible businesses with fewer than 100 workers can claim the credit, even if their employees kept working through the crisis.

However, the credit is *not* available to companies that take out a paycheck protection program loan. (You can still claim the credit if you take out an economic injury disaster loan.)

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