



Coronavirus Aid, Relief, and Economic Security Act (CARES Act) Small Business Loans

March 27, 2020

Congress has passed the CARES Act to help address the unprecedented public health and economic crisis related to COVID-19. One critical component of the CARES Act, the Payment Protection Plan, may help brewers weather this economic crisis is the expanded authority for Small Business Administration (SBA) loans to small businesses, sole proprietors, independent contractors, and employee stock ownership plans (ESOPs). The bill provides \$300 billion for SBA loan guarantees and subsidies.

While it is recommended that you consult an accountant or attorney to help you navigate your way forward, the following Q&A outlines options available in the CARES Act to help your business and employees.

What can the loans pay for?

These loans can cover the most immediate business expenses related to the COVID-19 outbreak. These include wages paid to employees, payment of cash tips, paid time off (sick leave, parental, etc.), severance pay, health insurance premiums, retirement benefits, and payroll taxes. The loans can be retroactive for expenses dating back to February 15, 2020.

How much of a loan can I receive?

Loans are designed to cover two-and-a-half months of payroll, using a calculation of the average monthly payments during the last year period before the loan is issued. For example, if your annual payroll payment was \$1.2 million, you can request a loan of up to \$250,000 ($\$1,200,000/12 = \$100,000$, $\$100,000 \times 2.5 = \$250,000$). No loans may be larger than \$10 million.

Am I qualified for a loan?

If your business has under 500 employees, was operational on February 15, 2020, had employees for whom it paid salaries and payroll taxes, and has been impacted by COVID-19, then you are likely eligible for a loan. You must make a good faith certification that you have been impacted by COVID-19 and will use the funds to retain workers and maintain payroll and other debt obligations.

What about fees and other tests of whether I'm eligible?

There are no borrower or lender fees for participation. Additionally, unlike other SBA loans, you are not required to prove you cannot receive credit elsewhere in order to receive funds provided under this program. Typical collateral and personal guarantee requirements are also waived under this program.

What are the terms of the loan? What is required for loan forgiveness?

Borrowers are eligible for loan forgiveness equal to the amount they spend on payroll costs during the eight-week period following loan issuance. Loan forgiveness is also available for interest payments on a mortgage, payment of rent on a lease, and utility payments, as long as these costs were already in place before February 15, 2020. Notably, eligible payroll costs do not include compensation for employees who receive more than \$100,000 (annually) in wages. Breweries with tipped employees would receive forgiveness for additional wages paid to such employees during the covered time.

The amount forgiven will be reduced proportionally by any reduction in employees retained compared to the prior year and by the reduction in pay of any employee beyond 25% of their prior year compensation. Borrowers who re-hire workers previously laid off will not be penalized for having a reduced payroll at the beginning of the period.

Critically, the forgiven portion of this loan will not be included in the borrower's taxable income.

Loan amounts not forgiven at the end of one year shall be carried forward as an ongoing loan with terms of a max of 10 years, at max 4% interest.

When will I have to make payments?

There is complete deferment of loan payments for one year, so if you expect to have your loan forgiven, this loan effectively acts as a grant program.