

## Coronavirus and the Workplace Update: Key Components of Impending Federal Stimulus Package and SBA and New York City Relief for Small Business

March 24, 2020

While negotiations on a Coronavirus Federal Stimulus Package continue in the Senate, many critical components of the expected package have been made public. The current consensus is that a stimulus package will be passed this week. Here is what it is expected to include:

### ANTICIPATED FEDERAL STIMULUS

The federal stimulus package currently is expected to surpass \$1 trillion and include relief for major industries such as airlines, small businesses that have seen revenues dwindle or disappear, and workers facing layoffs and loss of health coverage. There is also a potential for increases in Medicare payments made to hospitals treating a patient admitted with coronavirus.

### Small Business Interruption Loans

The federal stimulus package is expected to offer relief to small business employers who would otherwise face difficulty sustaining operations and paying bills due to the widespread business interruption resulting from the 2019 novel coronavirus (COVID-19) pandemic. The package is expected to include approximately \$300 billion appropriated for the creation of a small business interruption loan program. It is expected that the Federal Government would provide a 100% guarantee on any qualifying loan. Meanwhile, the Treasury Department will retain authority to issue regulations establishing the appropriate interest rate, loan maturity, and other relevant terms and conditions. Although the eligibility requirements are not yet final, the following terms are anticipated:

- Employers must have 500 employees or less.
- Loan amounts: 100% of 6 weeks of payroll, capped at \$1540/week per employee.
- Employee compensation must be sustained for all employees for 8 weeks from the date the loan is disbursed.
- Lender verifies the previous 6-week payroll amount and later verifies that the borrower has paid 8 weeks of payroll from date of disbursement.

The length of time an employer is required to keep employees on their payroll in order to remain eligible for a loan under this program appears to be a sticking point in the current negotiations surrounding the plan and proposals have allegedly ranged from weeks to years.

Currently, the United States Small Business Administration (the “SBA”) is providing low-interest working capital loans of up to \$2 million to small businesses and nonprofits affected by the coronavirus. The loans became available in New York after the SBA approved New York State’s disaster declaration on March 19.

### **SBA Coronavirus Economic Injury Disaster Loan**

- 1) Loss of business revenue due to COVID-19.
- 2) Entities may qualify for loans up to \$2 million.
- 3) Maximum unsecured amount \$25,000.
- 4) Interest rates: 3.75% for small businesses, 2.75% for private nonprofits.
- 5) Term – up to 30 years.
- 6) Use of funds: working capital, paying fixed debts, payroll, accounts payable, rent, bills otherwise would have been paid if not for COVID-19.
- 7) Applicants can have an existing SBA loan and still qualify for this disaster loan.
- 8) Must have an acceptable credit history.
- 9) Prove ability to repay loan.
- 10) Must have collateral for loans over \$25,000.

### **NEW YORK CITY ASSISTANCE**

New York City has also added assistance programs for impacted small businesses. The following is a list of some available programs. Depending on your industry, you may also be eligible for additional programs.

#### **NYC Employee Retention Grant Program**

- 1) 1-4 employees – covers 40% of payroll costs over the course of two months up to \$27,000.
- 2) Minimum of 25% revenue reduction due to the virus.
- 3) Business must be located in the five boroughs of NYC.
- 4) Operating for at least 6 months.
- 5) Have no current tax liens or legal judgments.

#### **NYC Small Business Continuity Fund**

- 1) Less than 100 employees.
- 2) Up to \$75,000 in interest free loans to cover revenue losses.
- 3) Minimum of 25% revenue reduction due to the coronavirus.
- 4) Have no current tax liens or legal judgments.

## Understanding Stimulus and Financing Opportunities

The federal stimulus package is expected to contain important assistance for small businesses. You may also be eligible for assistance under existing programs. It is important for companies to understand how these new programs may benefit your business. This can be an overwhelming process. Contact us to see how we can assist you in navigating applications for these programs and weighing your particular eligibility for them. If you have any questions regarding these important considerations, please contact [Pankaj Malik](mailto:pmalik@wbny.com). If you have questions concerning the recently enacted federal or state paid leave legislation or other employment matters, please contact [Felicia Ennis](mailto:fennis@wbny.com). As always, you may also contact your regular Warsaw Burstein attorney.

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