

COVID-19 Impact: Working Capital Support for Businesses

March 19, 2020

Many businesses have been significantly impacted by the COVID-19 (Coronavirus) outbreak, and many more anticipate future disruption to their businesses as a result of the efforts to contain and mitigate the virus. There are, however, resources available to support raising working capital to pay bills, employees and loan payments. Following are options to consider in boosting cash flow.

Request an Extension from the DOR

A business may request an extension from the Washington State Department of Revenue (DOR) prior to the due date of the return. If granted the extension, the business would be allowed to delay reporting and paying its tax liability. If a business needs an extension of more than 30 days, the law requires the DOR to collect a deposit from the business.

A Business Credit Card

If you need to access capital quickly, a business credit card can be a good option. American Express, Discover, Capital One and Bank of America all offer 0% APR business credit cards. With the Federal Reserve recently cutting the Prime Rate, we also expect to see credit card APRs decrease in the coming weeks.

A Business Line of Credit

A business line of credit is a traditional approach that gives small businesses quick access to cash to meet their working capital needs. You only access cash when you need it, which reduces interest expense over time, and it still gives you access to the full line available, if needed. This is a good option for business owners who haven't yet felt consequential effects, but want to be prepared.

SBA Business Term Loan

The U.S. Small Business Administration (SBA) has approved disaster relief loans for many counties in Washington state, including Whatcom, Skagit, Snohomish, King and Pierce (among many others).

These loans may be used to pay fixed debts, payroll, accounts payable and other bills that can't be paid because of the virus's impact. The interest rate

currently is 3.75% for small businesses. The interest rate for private non-profits is 2.75%. The deadline to apply for an Economic Injury Disaster Loan is Dec. 16, 2020.

SBA Loan Application Process

We currently have the following information and recommendations from the SBA Loan Office:

- ▶ If you anticipate needing support, you should apply as soon as possible to get into the system and begin processing.
- ▶ To apply, your 2018 tax return must be complete, and you will need to provide your 2019 Balance Sheet and Income Statement as well.
- ▶ When applying, the SBA will ask you to forecast expected revenue and expenses in the coming months. This is used to determine what funds are needed. This amount can be adjusted throughout the loan if access to additional funds is needed, or if less funding is needed as time goes on.
- ▶ Loans typically process within one month, although the SBA has been directed to process them as quickly as possible due to COVID-19. Having complete information and records will expedite this timeline, and of course, having incomplete records will lengthen the timeline.
- ▶ Note that, if you have good credit, the SBA may refer you to traditional lenders. We recommend you still apply for SBA assistance first, as rates are generally better, and the approval process grants more leniency for

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businesses who are currently closed or have their revenue drastically reduced.

- ▶ SBA Disaster Loans cannot be used to pay off long term debt. They are to be used for long-term debt payments, payroll, accounts payable and other bills that can't be paid because of the virus's impact.
- ▶ Interest rates are currently 3.75% for small business, and 2.75% for private nonprofits. 0% SBA loans do not exist at this time. There is currently no reference to 0% SBA loans on the official SBA website.

Additional Resources

[SBA COVID-19 Small Business Guidance & Loan Resources](#)

[SBA Disaster Loan Application](#)

[COVID-19 Resources for impacted Washington Businesses and Workers](#)

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