

# COVID-19 Impact: Economic Injury Disaster Loan vs Paycheck Protection Program

June 12, 2020

The Economic Injury Disaster Loan (EIDL) Program and the Paycheck Protection Program (PPP) are two Federal resources made available in response to the COVID-19 (Coronavirus) pandemic. We've provided a side-by-side comparison of the two programs to help you assess what's best for your business.

## SBA Economic Injury Disaster Loans (EIDL)

Upon declaration of the national emergency related to COVID-19, the Small Business Administration (SBA) approved the EIDL program for small business owners. You can apply for EIDL loans now.

## Paycheck Protection Program (PPP)

On March 27th, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the largest stimulus package in U.S. history. The Paycheck Protection Program (PPP) within the CARES Act authorizes up to \$659 billion of federally guaranteed loans to qualifying

small businesses. There is currently \$130 billion of funds remaining, which must be applied for by June 30, 2020.

## What You Need to Know Upfront

You cannot get both EIDL and PPL loans on the same expenses, but you can receive both loans on different qualifying expenses. You can apply for both loans now.

[Access the EIDL Loan Application here.](#)

[Access the PPP Loan Application here.](#)

Economic Injury Disaster Loan (EIDL)	Paycheck Protection Program (PPP)
<i>Who is the lender?</i>	
The Small Business Administration	A Bank that does SBA 7(a) Loans, underwritten by SBA. Apply through a participating lending institution (list available at <a href="http://www.sba.gov">www.sba.gov</a> )
<i>What is the maximum amount of the loan?</i>	
As of May 7, 2020, the maximum loan size is \$150,000. Prior to this date, the maximum loan size was \$2 million. Additionally, the SBA is currently only accepting applications from the agriculture industry.	<p>The maximum loan is \$10 million. The calculation is:</p> <ul style="list-style-type: none"> <li>2.5x of the average monthly "payroll" costs from 2019. Seasonal business may use the period Feb. 15, 2019 - June 30, 2019 to calculate the average payroll.</li> <li>If you took the EIDL loan between Jan. 30, 2020 and April 3, 2020 and you want to refinance into a PPP loan, you would add the outstanding loan amount to the "payroll" sum.</li> </ul> <p><b>Payroll includes salaries, commissions, tips, certain employee benefits (including health insurance and retirement benefits), state and local taxes and for independent contractor or sole proprietor, wage, commissions, income, or net earnings from self-employment or similar compensation.</b> Payroll costs specifically exclude compensation of an individual employee in excess of an annual salary of \$100,000 and salary paid to foreign employees.</p>

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Economic Injury Disaster Loan (EIDL)	Paycheck Protection Program (PPP)
<b>What is the annual interest rate?</b>	
3.75% for businesses, 2.75% for non-profits	1%
<b>What is the term of the loan?</b>	
Up to 30 years	2 years if received prior to June 5 unless the borrower and lender agree to a 5-year term. Loans issued after June 5 are on a 5-year term if not forgiven in full.
<b>When is the first loan payment due?</b>	
One year after the loan origination date (interest is accrued during the deferment)	At least 10 months after the loan origination date (interest is accrued during the deferment).
<b>What can you use the loan for?</b>	
Financial obligations and operating expenses that could have been met had the disaster not occurred.	Payroll costs (as defined above), group healthcare benefit insurance premiums, and mortgage interest (but not principal) or other interest on debt incurred prior to Feb. 15, 2020, rent on any lease in force prior to Feb. 15, 2020 and utility payments.
<b>What collateral is required?</b>	
The SBA will place a UCC lien against the assets of the business.	No collateral is required from either the business or its owners.
<b>Is a personal guarantee required?</b>	
Yes, for owners of >20% of the business, managing members of LLCs, managing partners of LPs. However, no liens will be taken against real estate owned by the guarantor.	No
<b>Is there a loan forgiveness program?</b>	
No	Yes, calculated as the amount spent by the borrower during an 24-week period after the origination date of the loan on: <ul style="list-style-type: none"> <li>▶ Payroll costs (as defined above),</li> <li>▶ Interest payment on any mortgage incurred prior to Feb. 15, 2020,</li> <li>▶ Payment of rent on any lease in force prior to Feb. 15, 2020, and</li> <li>▶ Payment on any utility for which service began before Feb. 15, 2020.</li> <li>▶ An 8-week covered period may be elected.</li> </ul> Payroll costs are subject to the same exclusions as noted above.

Economic Injury Disaster Loan (EIDL)	Paycheck Protection Program (PPP)
<b><i>What reduces the forgiveness?</i></b>	
N/A	<p>The amount forgiven is reduced based on failure to maintain the average number of full-time equivalent employees versus the period from either Feb. 15, 2019 - June 30, 2019, or Jan. 1, 2020 - Feb. 29, 2020, as selected by the borrower.</p> <p>The amount forgiven is also reduced to the extent that compensation for any individual making less than \$100,000 per year is reduced by more than 25% measured against the most recent full quarter.</p> <p>Reductions in the number of employees or compensation between Feb. 15, 2020, and 30 days after enactment of the CARES Act will generally be ignored to the extent that reductions are reversed by Dec. 31, 2020. Forgiven amounts will not constitute cancellation of indebtedness income for federal tax purposes.</p>
<b><i>Do I need to have filed my 2019 Taxes to apply?</i></b>	
No, 2019 Taxes do not have to be filed prior to applying for the loan. However, businesses will be asked to submit IRS form 4506T, which provides the SBA with access to historical tax returns.	Will depend on the lender.
<b><i>How long will the loan application take?</i></b>	
2-3 weeks plus an additional 5 days for funding.	Application times vary depending on the local lender. Upon approval, funds can be distributed within 24 hours.
<b><i>What information can I prepare to make the loan process efficient?</i></b>	
<p>Most applicants should be prepared to provide the following:</p> <ul style="list-style-type: none"> <li>▶ Tax returns and/or financial statements for the previous one to three years</li> <li>▶ Year-to-date financial statements through the date of the loan application</li> <li>▶ March 1, 2020, financials through the date of the loan application, broken out as a separate period, to be able to isolate the negative impact of COVID-19</li> <li>▶ Any additional information that substantiates the direct financial impact of COVID-19 to the business</li> </ul>	<p><a href="#">Access the PPP Loan Application.</a> The information required may differ depending on the lender. Most applicants should be prepared to provide the following:</p> <ul style="list-style-type: none"> <li>▶ Completed loan application</li> <li>▶ Prior year tax return</li> <li>▶ Summary of qualified payroll costs and supporting Forms 940, 943 and 944</li> <li>▶ No collateral or personal guarantees are required for a loan under the provisions of the CARES Act</li> <li>▶ Lenders may request additional information on a case-by-case basis</li> </ul>

Economic Injury Disaster Loan (EIDL)	Paycheck Protection Program (PPP)
<i>Can I apply now?</i>	
<p>Yes, the application process is live, and loans are available now. There is no obligation to accept the loan if you qualify. The SBA typically allows 60 days to accept the loan offer, but you can always extend this if needed. Therefore, it is better to apply ASAP.</p>	<p>Yes, applications for PPP funding must be submitted by June 30, 2020.</p>
<i>When is the deadline to apply?</i>	
December 31, 2020	June 30, 2020
<i>What businesses/entities can apply and what are the affiliation rules?</i>	
<p>Small businesses. There are several standards the SBA uses to define a small business, and it varies by industry.</p> <p>As a general guide, less than 500 employees and \$35 million in revenue would typically qualify. Applicants for SBA loan programs typically must include their affiliates when applying size tests to determine eligibility. This means that employees of other businesses under common control would count toward the maximum number of permitted employees.</p>	<p><b>You are eligible if you are:</b></p> <ul style="list-style-type: none"> <li>▶ A small business with fewer than 500 employees <ul style="list-style-type: none"> <li>▶ Sole Proprietor</li> <li>▶ Partnership</li> <li>▶ C-Corp</li> <li>▶ S-Corp</li> <li>▶ LLC</li> <li>▶ Independent Contractor</li> <li>▶ Eligible self-employed individual</li> <li>▶ 501(c)(3) nonprofit</li> <li>▶ 501(c)(19) veterans organization</li> <li>▶ Tribal business</li> </ul> </li> <li>▶ A small business that otherwise meets SBA standard</li> </ul> <p><b>In addition, some special rules may make you eligible:</b></p> <ul style="list-style-type: none"> <li>▶ If you are in the accommodation and food services sector, the 500-employee rule is applied on a per physical location basis</li> <li>▶ If you are operating as a franchise or receive financial assistance from an approved Small Business Investment Company, the normal affiliation rules do not apply</li> </ul> <p><b>REMEMBER: The 500-employee threshold includes all employees: full-time, part-time and any other status.</b></p>