

EDITOR'S NOTE: As our state and nation continue to confront the COVID-19 pandemic, state fiscal and federal policies will play key roles in ensuring the physical and economic health of Nebraska and its residents. OpenSky Policy Institute staff will be continuously analyzing state and federal policies that impact Nebraskans during this national emergency. This analysis is part of that effort. [You can access more of our pandemic-response policy analysis here.](#) We also remind you that OpenSky staff are working remotely during the pandemic response. [Remote contact information for staff members can be found here.](#)

As mandatory closures and social distancing guidelines caused by COVID-19 continue to wreak havoc on nonprofit organizations and businesses across almost every sector of the economy, the federal government has taken important steps to provide support in the form of grants, loans, and tax credits. With the Small Business Association (SBA) now accepting loan applications pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act,¹ this brief highlights important pieces of the federal coronavirus legislation and acknowledges steps taken at the state and local levels to provide additional support to small businesses, which make up the vast majority of Nebraska businesses.²

Initial federal responses

Once the economic disruption of COVID-19 hit the United States, Congress passed the Coronavirus Preparedness and Response Supplemental Appropriations Act in early March, providing \$20 million in funding to the SBA for Economic Injury Disaster Loans (EIDL) for small businesses in qualified disaster areas,³ bringing the total funding for such SBA loans up to \$7 billion.⁴ Available to organizations with less than 500 employees and capped at \$2 million, the loans come with long-term repayments up to a maximum term of 30 years, with a 2.75% interest rate for nonprofits and a 3.75% interest

Small businesses that qualify for CARES Act support

Small businesses that may qualify for assistance under the CARES Act include:

- Nonprofit organizations;
- Self-employed individuals (i.e. sole proprietors and independent contractors)
- Veterans organizations;
- Cooperative and employee-owned businesses; and
- Tribal small businesses.

¹ U.S. Treasury, "Paycheck Protection Program (PPP) Information Sheet: Borrowers," accessed at <https://home.treasury.gov/system/files/136/PPP--Fact-Sheet.pdf> on April 2, 2020.

² U.S. Small Business Association, "2019 Small Business Profile," accessed at <https://cdn.advocacy.sba.gov/wp-content/uploads/2019/04/23142652/2019-Small-Business-Profiles-NE.pdf> on April 3, 2020.

³ Kaiser Family Foundation, "The U.S. Response to the Coronavirus: Summary of the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020," accessed at <https://www.kff.org/global-health-policy/issue-brief/the-u-s-response-to-coronavirus-summary-of-the-coronavirus-preparedness-and-response-supplemental-appropriations-act-2020/> on April 1, 2020.

⁴ U.S. Chamber of Commerce, "Everything You Need to Know About Federal Small Business Stimulus Aid Programs," accessed at <https://www.uschamber.com/co/start/strategy/federal-small-business-stimulus-aid-programs-guide> on April 1, 2020.

rate for small businesses without other available means of credit.⁵ In mid March, Congress passed the Families First Coronavirus Response Act (FFCRA), providing employers with refundable payroll tax credits to cover the cost of providing some paid sick and family medical leave to employees. [Read more about the paid leave provisions of the FFCRA here.](#)

Small Business Assistance in the CARES Act

On March 27, the CARES Act passed through Congress and was signed into law, enacting \$376 billion in relief for American workers and small businesses.⁶ The CARES Act contains several major provisions to help small businesses across the country. The provisions, which are available to employers with fewer than 500 employees with exceptions for certain industries, unless otherwise specified, include:

- **Paycheck Protection Program (PPP) Loans**, which allow small businesses to borrow money to cover monthly payroll costs for up to 2.5 months with a cap of \$10 million at an interest rate of 1%. The full principal amount of the loans may qualify for loan forgiveness if the borrower keeps or rehires staff and maintains compensation levels through June 30, although not more than 25% of the loan forgiveness may be attributable to non payroll costs.⁷ Non-payroll expenses that the loans may be used for include interest on mortgage, rent and utilities.⁸ [Read a clear summary of the PPP loan process, qualifications, and eligible payroll costs here.](#) (This document was last updated on April 1. Some minor adjustments have been announced since, including the interest rate changing from 0.5% to 1%.)
- **The Small Business Debt Relief Program**, which covers the principal, interest, and fee payments on current, non-disaster SBA loans for six months, as well as all payments on new loans taken out within the next six months.⁹
- **Emergency Economic Injury Grants**, which provide \$10,000 to small businesses harmed by COVID-19, paid within three days of application for an EIDL. These grants do not need to be repaid under any circumstances.

⁵ Ibid 4.

⁶ Small Business Administration, "Coronavirus Relief Options," accessed at <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options> on April 3, 2020.

⁷ Journal of Accountancy, "SBA Issues Details for Paycheck Protection Program Loans," accessed at <https://www.journalofaccountancy.com/news/2020/apr/paycheck-protection-program-ppp-loans-sba-details-coronavirus.html> on April 3, 2020.

⁸ The Main Street Alliance, "Latest COVID-19 Policies and Options for Small Businesses," accessed at https://static1.squarespace.com/static/5e6a768131c8f538ad00b294/t/5e7e7ef3971cba01a84a9c92/1585348339837/What%27s+In+the+Stim+3+Package+032720_0615+ET.pdf on April 2, 2020.

⁹ U.S. Senate Committee on Small Business and Entrepreneurship, "The Small Business Owner's guide to the CARES Act," accessed at https://www.sbc.senate.gov/public/_cache/files/2/9/29fc1ae7-879a-4de0-97d5-ab0a0cb558c8/1BC9E5AB74965E686FC6EBC019EC358F.the-small-business-owner-s-guide-to-the-cares-act-final.pdf on April 2, 2020.

- **Employee Retention Tax Credits**, which are available to any employer, regardless of size, that is not receiving PPP loans and is either (1) fully or partially suspended due to a governmental order related to COVID-19 or (2) experiences a reduction of at least 50% in gross receipts from the same quarter in 2019.¹⁰ The credits cover up to fifty percent of wages paid by eligible employers during the COVID-19 crisis, through Dec. 31. [Read a detailed guide to the employee retention tax credit here.](#)

The Act also establishes the Mid-Sized Business Lending Program, which will provide loans to businesses or nonprofits with between 500 and 10,000 employees. While the CARES Act establishes a maximum interest rate of 2% and that no principal or interest payments will be due on the loans for the first six months, the U.S. Treasury and Federal Reserve have yet to provide guidance or procedures on the application process, and the Act sets no deadline for them to do so.¹¹

An in-depth summary of the qualifications for the business assistance provisions of the CARES Act, along with frequently asked questions, can be found [here](#). Nonprofit applicants may find [this guide from the National Council of Nonprofits](#) particularly helpful. [Learn more about applying to all of these programs and access the applications forms here.](#)

State and local actions to protect small businesses during the pandemic

Across the U.S., federal policy measures have been augmented with state and local efforts. The New Jersey Economic Development Authority has approved \$75 million in grants and loans to assist small businesses in the state through seven programs,¹² and Michigan has introduced a small business relief program with \$10 million in grant funding and \$10 million in low-interest loans available to small businesses impacted by COVID-19.¹³ Florida has issued an executive order providing \$50 million in bridge disaster loans at 0% interest if repaid within a year,¹⁴ and the Arizona Legislature has appropriated \$50 million dollars that can only be used for a limited number of things, including “assistance

¹⁰ Forbes, “Claiming CARES Act Tax Credits to Keep Employees,” accessed at <https://www.forbes.com/sites/robertwood/2020/04/02/claiming-cares-act-tax-credits-to-keep-employees/#234d50be5c76> on April 3, 2020.

¹¹ White & Case, “CARES Act: Midsize Business Lending Program,” accessed at <https://www.whitecase.com/publications/alert/cares-act-mid-sized-business-lending-program> on April 3, 2020.

¹² Return on Information - New Jersey, “EDA Approves 7 Programs to Help Businesses who have Suffered from the COVID-19 Crisis,” accessed at <https://www.roi-nj.com/2020/03/26/finance/eda-approves-7-programs-to-help-businesses-who-have-suffered-from-covid-19-crisis/> on April 3, 2020.

¹³ Click on Detroit, “Michigan Small Businesses Impacted by Pandemic can Apply for Grants and Loans Through Program,” accessed at <https://www.clickondetroit.com/news/local/2020/03/27/michigan-small-businesses-impacted-by-pandemic-can-apply-for-grants-and-loans-through-program/> on April 3, 2020.

¹⁴ Floridadisasterloan.org, “Florida Small Business Emergency Bridge Loan Program,” accessed at <https://floridadisasterloan.org/> on April 1, 2020.

to businesses with fewer than 50 employees.”¹⁵ Some municipalities are offering 0% interest loan programs to affected businesses as well, including New York, San Francisco, Los Angeles, Chicago and Denver.¹⁶ The city of Tulsa, Okla., has set aside \$1.1 million for no-interest small business loans of up to \$50,000 per applicant.¹⁷

In Nebraska, the Department of Economic Development has allocated Community Development Block Grant funds to assist businesses impacted by the COVID-19 outbreak. The funds, however, are only available for qualified activities, primarily to create jobs and manufacture medical supplies to respond to infectious disease or as short-term working capital assistance to small businesses to enable retention of jobs held by low- or moderate-income persons.¹⁸ These funds are not available to businesses in the city limits of Omaha, Lincoln, Bellevue, and Grand Island,¹⁹ meaning the program is unable to assist a huge portion of businesses in the state. Nebraska policymakers may want to explore steps taken by other states or other options to bolster support for our state’s small businesses and nonprofits as COVID-19 continues to impact our economy.

Conclusion

Small businesses are vital to Nebraska’s economy and will continue to be impacted greatly by mandated closures and social distancing guidelines during the COVID-19 crisis. Important steps have already been taken at the federal level to protect this essential segment of our economy during the response to the pandemic but more likely will need to be done at both the federal and state levels to ensure Nebraska’s small businesses remain viable throughout this crisis and beyond.

¹⁵ Children’s Action Alliance, “Legislature Passes ‘Skinny Budget’ And Legislation To Address COVID-19,” accessed at <http://azchildren.org/9920-2> on April 3, 2020.

¹⁶ Forbes.com, “List of Coronavirus (COVID-19) Small Business Relief Programs,” accessed at <https://www.forbes.com/sites/advisor/2020/03/20/list-of-coronavirus-covid-19-small-business-relief-programs/#17fa678e89dd> on April 3, 2020.

¹⁷ Public Radio Tulsa, “City of Tulsa Sets Aside \$1.1M for No-Interest Small Business Loans,” accessed at <https://www.publicradiotulsa.org/post/city-tulsa-sets-aside-11m-no-interest-small-business-loans> on April 3, 2020.

¹⁸ U.S. Department of Housing and Urban Development, “Quick Guide to CDBG Eligible Activities to Support Infectious Disease Response,” accessed at <https://files.hudexchange.info/resources/documents/Quick-Guide-CDBG-Infectious-Disease-Response.pdf> on April 3, 2020.

¹⁹ State of Nebraska, “DED COVID-19 Information,” accessed at <http://opportunity.nebraska.gov/nded-covid19/#CDBG> on April 3, 2020.