

DECEMBER 22, 2021

Looking for a 2022 safety net for your business? Act on EIDL funding before year end

As the new year approaches, the future of the Build Back Better Act (BBBA) — and the strength of the economic recovery — remains uncertain. One thing that's not uncertain when it comes to your business is the impending deadline to apply for COVID-19 Economic Injury Disaster Loan (EIDL) funding, some of which needn't be repaid.

The U.S. Small Business Administration (SBA) expanded eligibility in September 2021. While you may not have qualified or considered EIDL funding necessary previously, you might want to reconsider in light of yet another wave of COVID infections. But you'll have to do so quickly, as the application deadline is December 31, 2021.

Shaky economic ground ahead?

Sen. Joe Manchin (D-WV) released a statement on December 19 announcing that he “cannot vote to move forward” on the BBBA. The \$2.1 billion bill that passed in the U.S. House of Representatives includes numerous provisions related to healthcare, energy initiatives, immigration, education, social programs and taxes.



The Democrats lack the votes to pass the proposed legislation in the Senate without Manchin's support. Yet Senate Majority Leader Chuck Schumer (D-NY) indicated on December 20 that he nonetheless intends to hold a vote on the bill in early 2022. Schumer's announcement came hours after Goldman Sachs reduced its predictions for U.S. economic growth in 2022 based on Manchin's statement.

Types of EIDL relief available

The COVID-19 EIDL program was created to make low-interest fixed-rate long-term loans to provide small businesses (including sole proprietorships and independent contractors) the working capital they need to withstand the effects of the pandemic. Three types of funding are available:

Loans. This funding type features a 30-year term and fixed interest rate of 3.75%. The proceeds can be used for any normal operating expense, including payroll, rent or mortgage, utilities, and other ordinary businesses expenses. Since the recent program expansion (see below), funds also can be used to pay or pre-pay business debt incurred at any time, including after submitting the application, and regularly scheduled payments of federal debt.

Types of EIDL relief available (continued)

Targeted advances. Businesses located in low-income communities, have no more than 300 employees and have suffered more than a 30% reduction in revenue may qualify for a targeted advance up to \$10,000. These advances don't have to be repaid.

Supplemental targeted advances. Businesses in low-income communities that have no more than 10 employees and saw revenue declines of more than 50% may be eligible for an additional \$5,000. Supplemental advances also don't require repayment.

The recent expansion

The SBA has implemented several changes to make it easier for small businesses to access the COVID-19 EIDL loans. Among other things, the SBA:

- Expanded eligibility from organizations with no more than 500 employees (including affiliates) to encompass businesses in the hardest hit industries with no more than 500 employees per physical location, as long as the business (with affiliates) has no more than 20 locations,
- Increased the maximum loan amount from \$500,000 to \$2 million,
- Extended the payment deferment period to two years after the loan origination date for all loans (interest will accrue during that period, and principal and interest payments must be made over the remaining 28 years of the loan term), and
- Simplified the affiliation requirements.

The SBA has also limited entities that are part of a single corporate group to a combined total of no more than \$10 million in COVID-19 EIDL loans.

Additional eligibility requirements

Now Applicants must be physically located in the United States or a designated territory and have suffered working capital losses due to the COVID-19 pandemic. In addition, the businesses must have been in operation on or before January 31, 2020.

Businesses (other than sole proprietorships) must have a valid tax identification number. Each owner, member, partner or shareholder of 20% or more must be a U.S. citizen, non-citizen national or qualified alien with a valid Social Security number.

For loans of \$500,000 or less, you must have a credit score of at least 570. For larger loans, the credit score must be at least 625. Personal guaranty and collateral requirements may apply, too, depending on the amount of the loan.

The looming deadline

The SBA will accept applications for loans and targeted advances until December 31, 2021. It will continue to process applications after that date, until the funds are exhausted. While the SBA earlier advised businesses seeking supplemental targeted advances to submit applications by December 10, 2021, it later announced it will accept applications until year end. It can't process applications after the deadline, though, so applications submitted near the deadline might not be processed.

The looming deadline (continued)

Note that borrowers can request increases, up to their maximum loan eligibility amount, for up to two years after loan origination or until the program funds are exhausted. In addition, the SBA will accept reconsideration and appeal requests received before December 31, 2021, if received on a timely basis. For reconsiderations, that means within six months from the date the application was declined. Appeals must be received within 30 days from the date the reconsideration was declined.

Don't dawdle

You can apply online for COVID-19 EIDL relief, but the clock is ticking. We can help you determine if you should go this route and help you collect the necessary documentation. Please [contact us](#). We'd be happy to help.

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