



• Attorneys and Counselors at Law •

IMPORTANT INFORMATION FOR OUR BUSINESS CLIENTS AFFECTED BY THE COVID-19 PANDEMIC

Below is a summary of the newest COVID-19 relief bill, the CARES Act, which was signed into law on Friday, March 27, 2020. The latest federal relief package offers significant benefits to nearly all businesses affected by the pandemic. Also included are summaries of two relief programs provided through the State of Illinois and City of Chicago.

Although the crisis and government responses have been developing rapidly, we've been working hard to stay informed. If we can be of any assistance to you or your business, please don't hesitate to contact us.

I. The CARES Act: Paycheck Protection Program

- **Allowable uses of relief loans:**
 - Payroll costs;
 - Costs related to continuation of health care benefits;
 - Employee salaries/commissions;
 - Payments of interest on any mortgage obligation;
 - Rent (including under a lease agreement);
 - Utilities; and
 - Interest on any other debt obligations incurred before the covered period (2/15/2020).
- **Eligibility for a loan:**
 - Businesses are eligible if the uncertainty of economic conditions makes the loan necessary to support the ongoing operations of the business;
 - Funds to be used for an 'allowable use' (see above);
 - The business does not have an application pending, or has not already received, Disaster Recovery Loans or Economic Stabilization Loans under COVID-19 stimulus package;
 - Must have less than 500 employees, but if a hospitality/restaurant industry business, less than 500 employees per location.
- **Loan Details:**
 - Maximum loan amount is \$10 million. Loan amounts are based on payroll costs, defined as sum of payments of any compensation that is:
 - Salary, wage, commission;
 - Payment of cash tip or equivalent;
 - Payment for vacation, sick, medical leave;

- Severance;
 - Payment required for healthcare benefits, including insurance premiums;
 - Payment of any retirement benefit;
 - Payment of state/local tax assessed on employee compensation;
 - Sum of payments of any compensation of a sole proprietor or independent contractor not to exceed more than \$100,000 in year 1.
 - EXCLUDED FROM PAYROLL COSTS:
 - Compensation of an individual employee in excess of \$100,000;
 - Taxes imposed/withheld by Ch. 21, 22, or 24 of Internal Revenue Code;
 - Compensation of employee whose principal place of residence is outside of the U.S.;
 - Qualified sick leave wages for which credit is allowed under Families First Coronavirus Response Act; or
 - Qualified family leave wages for which credit is allowed under Families First Coronavirus Response Act.
 - Loans will be issued in an amount equal to the lesser of \$10 million OR the average total monthly payments by applicant for payroll costs during one-year period before the date on which the loan is made, multiplied by 2.5.
 - SEASONAL EMPLOYERS: average total of monthly payments for payroll costs for period beginning 2/15/2019-6/30/2019 multiplied by 2.5.
 - Interest rates are not to exceed 4%.
 - Term of loan will not exceed 10 years.
 - No personal guaranties or collateral required.
 - Lender must defer all payments (principal, interest, fees) for at least 6 months and up to 1 year.
- **Forgiveness (Sec. 1106):**
 - Borrowers are eligible for forgiveness equal to the following costs incurred during the 8-week period after the origination of the loan:
 - Payroll costs;
 - Payment of interest on mortgages entered into before 2/15/2020;
 - Payment on any rent under leases entered into before 2/15/2020; and
 - Payments for utility services that began before 2/15/2020.
 - **Payroll Tax Credits (Sec. 2301):**
 - Businesses that have had a 50% drop in gross receipts compared to the same quarter of 2019 may qualify for a payroll tax credit worth up to \$10,000 per employee AS LONG AS they are still paying the employees wages and/or benefits.
 - Businesses that have furloughed employees due to forced closures may claim the credit as well as long as they are still paying their workers wages OR health benefits on furlough.

- Credit would reduce payroll tax liability and employer may get an advance on that credit from the IRS.
- **VERY IMPORTANT:** businesses that opt to claim this credit will not be allowed to apply for the new SBA forgivable loans (described above)

II. Chicago Small Business Resiliency Fund

- **Loan Amounts:**
 - Up to \$50,000.00, based on revenues prior to the outbreak.
- **Eligibility:**
 - Suffered more than 25% revenue decrease due to COVID-19
 - Employ fewer than 50 employees and have gross revenues of less than \$3 million in 201
 - Requires a City business address or City business license
 - No pre-existing tax liens or legal judgments
- **Application:**
 - <https://www.surveymonkey.com/r/COVID19Chicago>

III. Illinois Small Business Covid-19 Relief Program

- The IL State Treasurer will make up to \$250 million in deposits available to financial institutions throughout the state to assist small businesses negatively affected by the pandemic.
- Loans would be for a 1 year term with a rate not to exceed 4.75%.
- Eligibility:
 - Must have been shut down or limited due to COVID-19;
 - Have less than \$1 million in liquid assets or \$8 million average annual receipts; and
 - Be headquartered in the state of IL or agree to use the funds in IL.

Note: There may be restrictions for businesses obtaining benefits from multiple sources. This should be considered before completing any applications.

Additional Resources

Additional loans are also available through SBA's Economic Disaster Loan program, which existed prior to the COVID-19 pandemic. These loans, though, are not forgivable and may interfere with your ability to receive other federal loans. For these reasons, we recommend applying for the newer COVID-19 relief loans first.

Please keep in mind that this list is not exhaustive. Other relief programs may be available, or become available in the future, in specific locations and for specific industries. We hope that you and your family are staying safe and healthy.

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