

Federal Assistance for Small Businesses in the Clean Energy Industry

Federal assistance may be available for business owners or contractors in the clean energy industry (such as solar installation or energy efficiency) who are feeling the economic impact of the coronavirus pandemic. In March of 2020, the CARES Act was enacted, creating funding opportunities to assist small businesses during the pandemic, including many clean energy businesses. This guide offers general information on applying for funding through these programs.

Paycheck Protection Program (PPP)

Summary – *“The PPP is an SBA loan that helps businesses keep their workforce employed during the Coronavirus (COVID-19) crisis... The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities... Loan payments will also be deferred for six months. No collateral or personal guarantees are required. Neither the government nor lenders will charge small businesses any fees.”* – SBA.gov

Eligibility – How do I know if my business qualifies?

- If you are a sole proprietor, independent contractor, or self-employed, you may apply.
- If you are a business with 500 employees or fewer, including all full-time, part-time and seasonal employees, you may apply. This calculation excludes independent contractors.
 - If your business has over 500 employees, you may still qualify based on [SBA size requirements](#) (for example: food-service and hospitality businesses only need to meet the 500 or fewer standard on a per-location basis).
- Your business complies with [SBA affiliation rules](#).
- Your business must be in operation as of February 15, 2020.

Use – What can my business use this loan for?

- Payroll costs, healthcare benefits;
- Interest on mortgage obligations, incurred before February 15, 2020;
- Rent under lease agreements in force before February 15, 2020; and
- Utilities, for which service began before February 15, 2020.

Amount – How much can my business borrow?

- Two months of the business's average monthly payroll costs from its previous year.
- An additional 25% of the above amount. This additional 25% is not forgivable.
- To maximize your loan, multiply your average monthly payroll expenses from the last year by 2.5. *Please read “Loan Forgiveness” below. Not all costs are forgivable.*
- The total amount borrowed may be no more than \$10 Million.

Payroll – How do I calculate payroll costs?

- Payroll includes salary, wages, commissions or tips (capped at \$100,000 salary per employee).
- Employee benefits including vacation, family, medical or sick leave, and retirement.
- State and local taxes on compensation (FICA cannot be included).

Loan Forgiveness – I heard this loan can be forgiven, how does that work?

- Recipients are entitled to loan forgiveness equal to the sum of: two months of payroll costs, all interest payments on any covered mortgage, all payments on any covered rent obligations, and any covered utility payments.
- If any employees are terminated, or if any employee's salary is reduced by greater than 25%, forgiveness amounts are reduced correspondingly. Employers are exempt from the termination rule if employees are rehired, and/or wages are restored by June 30, 2020.

Process – How does my business apply and what documentation do I need?

- Call an [SBA-Certified lender](#) to apply.
- You will need to fill out the [SBA's application form](#).
- Calculate your eligible payroll costs and anticipated loan forgiveness.
- You will need to provide all supporting documentation regarding your payroll calculation.
 - Documentation includes but is not limited to: 2019 payroll summary reports with W-3 and all W-2s; Quarterly State Unemployment Insurance; all form 1099's issued in 2019; start & termination dates from 2019 or 2020; health insurance expenses; projected payroll costs over 8 week period following the loan; rent expense summary; utility expense summary; three years of tax returns; most current balance sheet with debt schedule; and monthly income statements over the last 12 months.

Economic Injury Disaster Loan (EIDL)

Summary – “[S]mall business owners ... are eligible to apply for an Economic Injury Disaster Loan advance of up to \$10,000. This advance will provide economic relief to businesses that are currently experiencing a temporary loss of revenue... This loan advance will not have to be repaid.” – SBA.gov. The EIDL allows borrowers up to \$2 million, but only the advance is forgivable.

Eligibility – How do I know if my business qualifies?

- Businesses must have been in operation on January 31, 2020.
- Must meet one of the following size requirements based on affiliation:
 1. Meet the employee-based or revenue-based size standards for applicable industry as [set by the SBA](#); **OR**
 2. Employ 500 or fewer employees.

Use – What can my business use this loan for?

- Fixed debts, payroll, accounts payable, insurance premiums, rent, other bills.
- Businesses **cannot** use EIDL funds for anything covered by a PPP loan.

Amount and Terms – How much can my business borrow?

- Up to \$2 million, but the amount depends on the business's actual economic injury.
- A \$10,000 advance is available following a successful application, **but the advance is subtracted from any amount forgiven in the PPP**. In order to take out both EIDL and PPP loans, businesses will be subject to interest and must pay the EIDL back.

Other Requirements – What is the term, interest rate, etc.?

- The term is up to 30 years. Principal and interest payments are deferred for one year.
- Interest rate is 3.75% (2.75% for non-profit organizations). No fees are included.
- Personal guarantee waived for EIDL loans that are \$200,000 or less.
- Collateral is required for any amount above the first \$25,000.

Process – How does my business apply and what documentation do I need?

- EIDLs are obtained by applying [directly to the SBA](#).
- Provide any documentation supporting the actual economic damages facing your company. Exclude any amounts covered by a granted PPP loan.

Additional Information

About this Flyer

The information in this document is intended to give a broad overview of the federal assistance programs available under the CARES Act and should not be interpreted as legal advice.

Do you need assistance applying for these programs?

If you are in the clean energy industry and need assistance applying for CARES Act funding, the Environmental Advocacy Center at the Bluhm Legal Clinic is available to assist a limited number of applicants at no cost. Please email cary.shepherd@law.northwestern.edu to request assistance. Additionally, the U.S. Small Business Administration has additional resources and information available at www.sba.gov.

Note on Currently Available Funding & Updates

This document was finalized on April 24, 2020. The programs and funding described in this document are subject to change. Please consult sba.gov to check for updates.

Internet Links for Resources Listed Above

- **U.S. Small Business Administration Coronavirus Relief Options Webpage**
 - <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options>
- Small Business Administration Guidance on Business Eligibility and Size
 - <https://www.sba.gov/document/support--table-size-standards>
- A Guide to the SBA's Size Program and Affiliation Rules
 - https://www.sba.gov/sites/default/files/affiliation_ver_03.pdf
- List of Small Business Administration Approved Lenders
 - <https://www.sba.gov/partners/lenders/microloan-program/list-lenders>
- Paycheck Protection Program Borrower Application Form
 - <https://www.sba.gov/document/sba-form--paycheck-protection-program-borrower-application-form>
- Finding Local Assistance in Applying for SBA Programs
 - <https://www.sba.gov/local-assistance/find/>