

CARES Act Relief for Small Businesses and Independent Contractors

By Veda Collmer, ArizOTA Legislative Affairs Committee

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provides much needed relief for small businesses, independent contractors, and self-employed individuals suffering during the COVID-19 crisis. Below is a summary of the small business lending opportunities and expanded unemployment benefits available to eligible OT practices.

The Paychecks Protection Program (“PPP”)

The Paychecks Protection Program will help small businesses (with fewer than 500 employees) cover payroll expenses and other operating costs from February 15 until June 30, 2020 (“Covered Period”). Small businesses may take out these Small Business Administration (SBA) loans for up to \$10 million (loan formula based on payroll costs) to cover employee payroll for employees earning up to \$100,000 per year.

Self-employed individuals, sole proprietors, and independent contractors are also eligible for the loans. Borrowers must certify the loan money is needed to operate because of the current economic disruption and it will be used to cover payroll, insurance premiums, mortgage or rent, and utility payments.

Determining creditworthiness and eligibility for a loan may be difficult due to massive business interruption related to the crisis. The good news is the only criteria for qualifying for the SBA loans is whether the borrower was in business on March 1, 2020 and had employees. Personal guarantee and other credit worthiness requirements are waived for these loans.

Details about SBA loans:

- As long as borrowers use the loans to meet payroll and other eligible operating costs and not cut employee pay, the loan principal is eligible for forgiveness after 10 years.
- Maximum interest rate is capped at 4%.
- There are no pre-payment penalties.
- Allows complete deferment of payments for at least 6 months and not more than a year
- Loans that were not forgiven in one year are carried forward as a loan for a maximum term of 10 years at a max interest rate of 4%.

For more details about SBA loans under the CARES Act, visit this [website](#).

Expanded Unemployment Insurance

The CARES Act expands unemployment insurance to an additional \$600 per week in benefits for four months for self-employment, independent contractors and those with a limited work history. This is great news for OTs and OTAs who work per diem at different clinics or are

independent contractors and would not typically qualify for unemployment. Furthermore, the federal government will fund an additional 13 weeks of unemployment benefits through December 31, 2020 after employees have exhausted state unemployment benefits. For more information about how to apply for unemployment, go to the [AZ Department of Economic Security Website](#).

Visit Veda's [WebPT blog](#) for a more in-depth analysis of how the CARES Act applies to rehab therapy providers.