



State and federal governments have a critical role to play in assisting small businesses – and the people who own and work for them - with navigating the health and economic impacts of the pandemic. In 2019, small businesses made up 99 percent of all Idaho businesses and employed more than half of Idaho’s workforce.¹ Small business owners by definition have relatively modest earnings, and have less access to capital and business networks compared with large businesses. While Idaho households earn a median income of \$53,000, the median income for Idahoans self-employed at their incorporated businesses was \$41,775 in 2017.² Idahoans self-employed at their own informal operations have a median income of \$21,515.³

On April 16th, the Small Business Administration and United States Treasury announced funding for the most significant pandemic-related relief programs for small businesses – the Paycheck Protection Program (PPP), Economic Injury Disaster Loans (EIDL), and Economic Injury Disaster Loan Advances (EIDL Advance) - had dried up.⁴ Numerous barriers have prevented aid programs intended for small businesses to reach them; however, policymakers can make improvements to turn the tide.

Major Federal Pandemic Relief Programs for Small Businesses		
	Total Funding Nationwide	Idaho Take-Up
Paycheck Protection Program	\$349 billion	13,627 small businesses have been approved for \$1.9 billion.
Economic Injury Disaster Loans (EIDL)	\$7.2 billion ⁵	72 small businesses have been approved for \$14.9 million.
EIDL Advances	\$10 billion	3,558 EIDL Advances have been processed for \$15.4 million.
Small Business Debt Relief Program	No maximum	Data not available
Employee Retention Tax Credit	No maximum	Data not available
Source: U.S. Small Business Administration		

Paycheck Protection Program (PPP) Loans

The Paycheck Protection Program (PPP) was created by the CARES Act in response to the pandemic. PPP loans cover up to eight weeks of payroll costs, including employee benefits. Business owners can also use the funds to pay interest on mortgages, rent, and utilities.⁶ In an effort to incentivize employee retention, loans may qualify for full forgiveness if the borrower keeps or rehires staff and maintains compensation levels through June 30, 2020. To obtain loan forgiveness, not more than a quarter may be used for non-payroll costs.⁷ Otherwise the maximum interest rate is 1 percent.⁸ Though the program provides loans up to \$10 million per applicant,

nationally, the average size of an approved loan was \$206,000. Seventy-four percent of loans across the nation were for \$150,000 and under.⁹

Economic Injury Disaster Loans (EIDL)

A previously existing program – the Economic Injury Disaster Loan program – was expanded by Congress as a response to the pandemic. It is the primary form of federal assistance for the repair and rebuilding of non-farm, private sector businesses that face failure in qualified disaster areas.¹⁰ EIDL loans were being offered to cover operating costs that businesses will be unable to pay due to the impacts of the coronavirus such as payroll, accounts payable, and fixed debts.

Businesses can apply for up to \$2 million with long-term repayment plans up to a maximum of 30 years with a 2.75 percent interest rate for nonprofits and a 3.75 percent interest rate for small businesses with less than 500 employees and no other credit options.¹¹ Qualifying pandemic-related financial impacts dating from January 31, 2020 can be covered.¹² The EIDL Advance option allows small businesses to receive up to \$10,000 immediately to help overcome the temporary loss of revenue they experience as a result of the pandemic.

Small Business Debt Relief Program

The Small Business Debt Relief Program covers the principle, interest, and fee payments on current, non-disaster Small Business Administration (SBA) loans for six months. The program also covers all payments on new loans taken out through September 27, 2020.¹³ Eligible payments due during this six month period will never have to be repaid.¹⁴ SBA has also given lenders the option of deferring payments – with and without interest – for six months.

Employee Retention Tax Credit

This fully refundable federal tax credit will be made available to any employer, regardless of business size, that is (1) not receiving PPP loans and (2) either fully or partially suspended due to a government order related to coronavirus response or experiences a reduction of at least 50 percent in gross receipts from the same quarter in 2019. The tax credit is equal to 50 percent of qualified wages that eligible employers pay their employees after March 12, 2020 and before January 1, 2021.¹⁵

Barriers to Relief for Idaho’s Small Businesses

The “first-come, first-served” approach of PPP and EIDL does not guarantee that the small businesses needing relief the most were the ones able to access resources while they were available. Though the program was intended to aid small businesses with less than 500 employees, wide eligibility criteria have allowed large businesses with greater access to capital markets to take up PPP. For example, national chain restaurants with 500 or fewer employees *per location* were approved for loans, including Ruth’s Chris Steakhouse and the Potbelly sandwich shops.¹⁶ An unintended consequence of this design is that the smallest, least-connected businesses may close permanently without aid, leaving their owners and employees stranded and reducing the size of the overall economy.

Congress is in discussions to add more funding to PPP and EIDL. A letter released by United States Treasury Secretary Steven T. Mnuchin and United States Small Business Administration Administrator Jovita Carranza urged Congress to provide funding at a level that ensures every eligible small business can participate and receive the resources they need.¹⁷ A new deal being negotiated by Congress may allocate an additional \$321 billion for PPP, with \$60 billion earmarked specifically for small businesses without existing banking relationships.¹⁸ Banking industry representatives speaking this week to reporters have said the program needs closer to \$1 trillion to meet demand.¹⁹ Negotiations also include an additional \$60 billion to the EIDL program, \$10 billion of which will be used for EIDL Advances.²⁰

Beyond funding itself, many small businesses – particularly sole proprietors or self-employed people - are either unaware that their business is eligible or hit roadblocks applying for relief. These challenges are resulting in delays and inconsistent access to emergency funding. Some small businesses hold SBA loans from which they can be relieved, but very small businesses can hold loans pooled among different lenders that have not or cannot offer delayed payments. Furthermore, SBA has not provided timelines for disbursement of funds.

The application deadlines currently set for the programs– which range from this summer to the end of the year – may leave out businesses that experience distress beyond the pandemic itself and continue to struggle during a potentially slow economic recovery.

Looking Ahead

The Idaho Departments of Commerce and Agriculture are collecting feedback from Idaho businesses on how they are being impacted by the pandemic through April 22, 2020.²¹ Lawmakers could use this input to gauge the effectiveness of the federal relief packages and identify gaps that can be addressed by Idaho’s lawmakers. In order to most appropriately and adequately address the needs of Idaho’s unique businesses, it may be necessary for Idaho lawmakers to explore state programs to help ensure their future.

¹ 2019 Small Business Profile, “U.S. Small Business Administration Office of Advocacy. Accessed at: <https://cdn.advocacy.sba.gov/wp-content/uploads/2019/04/23142646/2019-Small-Business-Profiles-ID.pdf>

² United States Census Bureau, “QuickFacts: Idaho.” Accessed at: <https://www.census.gov/quickfacts/fact/table/ID,adacountyidaho/INC110218>

³ Ibid.

⁴ U.S. Small Business Administration, “Statement from Secretary Steven T. Mnuchin and Administrator Jovita Carranza on the Success of the Paycheck Protection Program.” Accessed at: <https://www.sba.gov/about-sba/sba-newsroom/press-releases-media-advisories/statement-secretary-steven-t-mnuchin-and-administrator-jovita-carranza-success-paycheck-protection>

⁵ House Appropriations, “\$20 million of this allocation is meant to cover the cost of administering the loans. H.R. 6074 Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020.” Accessed at: https://davidscott.house.gov/uploadedfiles/coronavirus_supplemental_summary.pdf

⁶ U.S. Department of the Treasury, “The CARES Act provides Assistance to Small Businesses.” Accessed at: <https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>

⁷ U.S. Chamber of Commerce, “Coronavirus Emergency Loans: Small Business Guide and Checklist.” Accessed at: https://www.uschamber.com/sites/default/files/023595_comm_corona_virus_smallbiz_loan_final.pdf

⁸ U.S. Small Business Administration, “With \$349 Billion in Emergency Small Business Capital Cleared, SBA and Treasury Begin Unprecedented Public-Private Mobilization Effort to Distribute Funds.” Accessed at: <https://www.sba.gov/about-sba/sba-newsroom/press-releases-media-advisories/349-billion-emergency-small-business-capital-cleared-sba-and-treasury-begin-unprecedented-public>

⁹ U.S. Small Business Administration, “Paycheck Protection Program Report.” Accessed at: <https://home.treasury.gov/system/files/136/SBA%20PPP%20Loan%20Report%20Deck.pdf>

¹⁰ Benefits.Gov, “Economic Injury Disaster Loans.” Accessed at <https://www.benefits.gov/benefit/1504>

¹¹ Ibid.

U.S. Small Business Administration, “SBA Debt Relief.” Accessed at: <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/sba-debt-relief>

¹² Press Release from the Office of Governor Little on March 23, 2020. Accessed at: <https://gov.idaho.gov/pressrelease/idaho-small-businesses-impacted-by-coronavirus-can-now-access-federal-disaster-loans/>

¹³ Ibid.

¹⁴ Coronavirus.Gov, “Supporting Small Business.” Accessed at: <https://www.coronavirus.gov/smallbusiness/>

¹⁵ Internal Revenue Services, “FAQ: Employee Retention Credit Under the CARES Act.” Accessed at: <https://www.irs.gov/newsroom/faqs-employee-retention-credit-under-the-cares-act>

¹⁶ Business Insider, “Shake Shack returned its \$10 million coronavirus stimulus loan. Ruth’s Chris, Potbelly, and other chains are keeping more than \$81 million meant for struggling small businesses.” Accessed at: <https://www.businessinsider.com/ruths-chris-potbelly-chains-tk-million-in-small-business-loans-2020-4>

¹⁷ U.S. Small Business Administration, “Joint Statement by Secretary Mnuchin and Administrator Carranza.” Accessed at: https://www.sba.gov/about-sba/sba-newsroom/press-releases-media-advisories/statement-secretary-mnuchin-and-administrator-carranza-paycheck-protection-program-and-economic?utm_medium=email&utm_source=govdelivery

¹⁸ Forbes, “Lawmakers have reached a deal on stopgap stimulus plan for small businesses, Trump is ready to sign.” Accessed at: <https://www.forbes.com/sites/sarahhansen/2020/04/21/lawmakers-have-reached-a-deal-on-stopgap-stimulus-plan-for-small-businesses-trump-is-ready-to-sign/#5bdbcb7f478b>

¹⁹ Politico, “Banks warn that new small-business funding could evaporate in 2 days.” Accessed at: <https://www.politico.com/news/2020/04/20/bank-small-business-funding-coronavirus-197372>

²⁰ CNBC, “Senate near deal for \$475 billion relief package for small business, hospitals, testing.” Accessed at: <https://www.cnbc.com/2020/04/21/coronavirus-relief-schumer-believes-senate-will-pass-small-business-bill.html>

²¹ Idaho Department of Commerce, “COVID-19 Resources and Information.” Accessed at: <https://commerce.idaho.gov/covid-19/>