

FAQs on COVID-19 Relief Following Enactment of the Coronavirus Aid, Relief & Economic Security (CARES) Act

Below are resources responding to FAQs Rep. Khanna's office received from CA-17 residents. For the latest up-to-date resources on COVID-19 economic relief benefits for individuals and small businesses, see:

[FAQs on Cash Payments](#)

[FAQs on Unemployment Benefits](#)

[FAQs for Small Businesses](#)

[FAQs for Startups](#)

CASH PAYMENTS

Q: Who receives direct cash payment?

Most American adults will qualify for a direct payment of \$1,200. Note:

- Individuals making up to \$75,000 (\$150,000 for married workers) will receive payments of \$1,200 with an additional \$500 payment per minor child. The payments decrease ratably and stop altogether for single workers making more than \$99,000 (\$198,000 for married workers and \$218,000 for a family of four.)
- These payments will be issued by the IRS via direct deposit and will be based on an individual's 2019 or 2018 tax return or 2019 Social Security statement.

Q: What if I haven't filed a tax return recently?

If someone has not filed a tax return in 2018 or 2019 and does not receive Social Security benefits, the IRS recommends filing a 2018 return to receive payment. If the IRS does not have the taxpayer's bank account information, the taxpayer should look for a letter from the IRS detailing how to receive their payment. According to [the IRS website](#), "those without 2018 tax filings on record could potentially affect mailings of stimulus checks."

Q: What if my income in 2019 made me ineligible but I anticipate being eligible because of a loss of income in 2020? Do I get a payment?

Not immediately, but you may benefit once you file your 2020 taxes. The payment is technically an advance on a tax credit that is available for the entire year, so it will depend on how much you end up earning in 2020.

UNEMPLOYMENT BENEFITS

Q: Who receives unemployment benefits?

Laid-off and furloughed workers (including those new to the job market) will be eligible for Unemployment Insurance (UI) and will see an additional \$600 per week through July 31, 2020 to match the average paycheck. Under the CARES Act, the federal government expanded the eligibility categories to include furloughed employees, part-time workers, freelancers, independent contractors, and the self-employed.

Residents seeking more information about UI benefits should contact the state unemployment insurance program. Each state will administer unemployment benefits, including benefits funded by the federal government.

Employees that qualify for CA's UI will also be eligible for federally-funded unemployment benefits amounting to:

- 13 weeks of additional state UI benefits at the federal government's expenses (since CA offers 26 weeks, that will be 39 weeks total, with the exact weekly amount calculated by CA)
- An additional \$600/week in unemployment compensation through July 31, 2020.

Q: How do I receive unemployed insurance if my hours were reduced?

California residents, whether they have been unemployed or partially unemployed, can apply for Unemployment Insurance through [California's Employment Development Department](#).

The Employment Development Department has a mobile-friendly site for use on smartphones and tablets: [UI Online Mobile](#). You can also call the Department at **800-300-5616** to apply for Unemployment Insurance by phone.

SMALL BUSINESSES

Q: What support is available for small businesses?

The CARES Act provides \$350 billion in forgivable loans and \$10 billion in grants to small businesses, tribal business concerns, and certain nonprofits. For information on relief efforts through the [Small Business Administration](#), see the following links below, which will continue to be updated by the SBA:

The Federal Reserve will establish a Main Street Business Lending Program to support lending to small and mid-sized businesses, complementing the SBA's efforts. *See the Federal Reserve's [press release](#) and website for more updates.*

The Treasury Department will establish a "Mid-Size Business Lending Facility." *See the [Treasury's website](#) for more.*

The CA Employment Development Division (EDD) is granting a 60-day extension to file state payroll reports and/or deposit state payroll taxes without penalty or interest for employers experiencing hardship from COVID-19. *Visit [CA EDD's COVID-19 resource page](#) for the most up-to-date information.*

Q: How does the Payment Protection Plan (PPP) forgivable loan program work?

The [Payment Protection Program](#) is a forgivable loan program administered by the Small Business Administration (SBA) to help small businesses keep workers on their payroll by providing each recipient small business a loan of up to \$10 million for payroll and certain other expenses. If all employees are kept on payroll for eight weeks after a company receives the PPP loan, SBA will forgive the portion of the loan used for payroll, rent, mortgage interest or utilities. Up to 100% of the loan is forgivable.

Q. If my business qualifies for a PPP loan, can I use the funds toward covering the cost of any employee's salary?

Yes, funds from the PPP loan can be used for:

- Compensation of employees (salary, wage, commission, or similar compensation, payment of cash tips), as well as payment for vacation, parental, family, medical, or sick leave.
 - Note: No more than \$100K in compensation of PPP funds can be used for an individual employee
- Payment of any retirement benefit and payment required for the provisions of group health care benefits, including insurance premiums, or payment of state or local tax assessed on the compensation of employees.
- Mortgage interest, rent or utilities.

PPP funds cannot be used toward:

- Employee/owner compensation over \$100,000
- Taxes imposed or withheld under chapters 21, 22, and 24 of the IRS code
- Compensation of employees whose principal place of residence is outside of the U.S.
- Sick and family leave for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act

FAQ's from CA Startup Owners and Employees Following Enactment of the CARES Act

Q: Will startups need to manage unemployment for your former employees and contractors?

No, and the administration of unemployment benefits will be handled at the state level. Former employees and contractors who are now unemployed or partially unemployed from your company who are based in CA can file a UI application through [EDD's website](#). [See FAQs on Unemployment Benefits.](#)

Q: If our startup furloughs employees, will the employees still qualify for unemployment insurance?

Yes, the state of California provides unemployment insurance to employees who have had their hours reduced, in

addition to those employees who have been laid off. Furloughed, unemployed or partially unemployed workers can [file a UI claim through EDD's website](#). [See FAQs on Unemployment Benefits](#).

Q: Are there any tax incentives or programs that startups or our employees qualify for?

Yes, the CARES Act creates new tax credits to help cover the cost of paid leave, payroll and other business expenses, and also includes tax programs that employees would qualify for.

The following are tax programs created by the CARES that could be may relevant for start-ups and other small and medium size businesses:

- **[Employee Retention Tax Credit](#) = Credit on 50% of your payroll expenses.** A company is eligible for 50% credit for wages paid to furloughed or reduced-hour employees if the company's business was fully or partially suspended as a result of government order (including the Bay area or the Governor's 'shelter in place orders') OR a startup's gross revenue are down 50% year-over-year as a result of the covid-19 crisis.
 - For businesses with 100 employees or less, the credit is based on all wages paid, regardless of whether an employee was furloughed.
 - There is an overall limit on wages per employee of \$10K.
 - Credit can be used against company's quarterly payroll tax liability and is refundable to the extent of excess.
 - Companies receiving SBA's Payment Protection Program loans would be disqualified from receiving the Employee Retention Tax Credit.
 - The IRS will post more info on their [website](#) in the coming days and weeks.
- **[Payroll Tax Delay:](#)**
 - The CARES Act allows employers to delay paying the employer-portion of payroll taxes through the end of 2020.
The deferred amount is due in 2 installments: the first half is due before 12/31/2021, and the second half is due before 12/31/2022.
 - Companies receiving SBA Payment Protection Plan loans would be disqualified from delaying payroll taxes.
- **[Advance Payment of Tax Credits for Paid Leave:](#)**
 - This allows the Treasury to send advance payments of tax credits available to employers that are required to provide up to 12 weeks of covid-19 related paid leave to their employees.
 - The IRS will be posting info on how to obtain advance payment of these credits on its [website](#).

For employees, CARES provides one-time direct cash payments for most American taxpayers.

[See FAQ on Cash Assistance Payments](#).

Q: How do we know if our start-up qualifies as a "distressed company"?

The Treasury Department is expected to issue guidance clarifying what companies will be considered as 'distressed companies.' Some of these companies would be eligible for loans and loan guarantees as part of the Treasury Department's "Mid-Size Business Facility", which will be designed to provide low-interest bank financing to medium-sized businesses with 500 to 10,000 employees. *See the latest updates on this program and other Department of Treasury resources on the [USDT website](#).*

Q: What are the other key factors we need to be aware of regarding the Treasury Department's eligibility criteria?

For a 'distressed company' to qualify for loans and loan guarantees under the Treasury Department's "Mid-Size Business Facility" at a minimum, the companies must have most of their employees in the United States and not qualify for other adequate relief in the form of loans or loan guarantees provided under the CARES Act.

Q. Will my startup be eligible for emergency loans and if so which ones?

If your startup is funded by Venture Capital (VC) firms that qualify as a [Small Business Investment Company](#) AND has fewer than 500 employees AND was in operation since at least Feb 15, 2020 then your startup would qualify for:

- [Paycheck Protection Program \(PPP\)](#)
- Small Business Debt Relief Program

The vast majority of start-ups are funded by VC firms that are not SBICs, and in many cases, the Small Business Administration (SBA) counts all the start-ups backed by the same VC firm as one business. The “affiliation rules” are not new to CARES Act, rather they are part of the existing SBA rules on loans.

Some startups may still qualify for this program, but it will likely be difficult to get an affirmative response from the SBA, which could serve as de-facto ineligibility.

If the SBA counts all startups funded by the same VC firm as one business going forward, then those companies will likely not qualify for the [Paycheck Protection Program](#) and other loan programs operated by the SBA.

Therefore, **eligibility for the vast majority of start-ups in the near-term will largely depend on the specifics of any guidance issued by the Department of Treasury and the SBA on applying ‘affiliation rules.’**

Rep. Khanna is working with House Leadership, the SBA, and the Treasury Department to resolve this issue and ensure that start-ups will not be excluded from the SBA’s [Paycheck Protection Program](#).

=> See [Rep. Khanna’s letter with Speaker Pelosi to the SBA and the Treasury Department urging immediate action](#) to ensure startups are included in the SBA relief.

=> See Rep. Khanna’s [twitter thread on the problem](#) and more information on the SBA’s [affiliation rules](#).

Regardless of the SBA’s guidance on the PPP, startups could potentially apply for a loan through:

- **The Federal Reserve’s Main Street Lending Facility**, which are waiting for more details on. See the *Federal Reserve’s [press release](#) and website for more updates.*
- **Treasury Department’s “Mid-Size Business Lending Facility”**, which would provide loans to businesses employing between 500-10K employees on favorable terms, including 2% interest and no payments for at least 6 months. Restrictions on these loans include:
 - Funds must keep at least 90% of workforce retained
 - Firm may restore employment levels to 90% of the employment and compensation as of 2/1/2020 within 4 months of the termination of the public health emergency
 - Restrictions to limit share buybacks, offshoring, and anti-union activities

Both the Federal Reserve’s Main Street Lending Facility & Treasury’s Mid-Size Business Lending Facility are funded as part of the \$454B fund for corporate support. *Updates will be posted on the [Treasury](#) and [Federal Reserve websites](#).*

Q: When do the SBA affiliation rules for VC backed companies get fixed? My local law firms say the issue is too complex to give guidance.

The SBA has not committed to a specific date. Rep. Khanna is working with House Leadership, the SBA, and the Treasury Department for immediate action to ensure SBA’s affiliation rules do not exclude startups from relief.

Q: When will the rules limiting banks managing SBA loans from providing these loans to startups be fixed?

Banks could provide loans to qualifying startups immediately after the SBA provides clarifying guidance. The 1,800

banks that are part of the [PPP loan](#) program would have to adjust their loan-making pursuant to any further guidance on the SBA's 'affiliation rules.' Until such guidance is issued, further delays with lenders is expected.

Q: Startups are often run lean without any payroll employees, just with consultants or advisors on retainer agreements. Is having a payroll a prerequisite under CARES Act?

There are certain benefits under CARES that only apply to businesses that have a payroll, but having a payroll is not a prerequisite for what is expected to be the primary relief program for small businesses authorized under CARES: the Payment Protection Program. Loans issued under PPP can be used for payment not only of employees but also of independent contractors. If companies receiving PPP loans don't have a payroll at all then they'd get a smaller loan.

Again, whether many start-ups would qualify for the SBA's PPP loans (which can convert to grants when companies meet the required employee retention standards), will largely depend on the forthcoming SBA's guidance on 'affiliation rules.' Assuming the SBA clarifies its guidance to count each start-up with under 500 employees as its own business, most start-ups would qualify, and could use the [PPP loans](#) to maintain payroll, which would include the expense of compensating independent contractors.

Q: Can the disaster loans be converted to grants if the startup is under one of the Essential sectors kept open under CA Governor's 'stay at home' order?

The SBA's Economic Injury Disaster Loans (EIDL's) provide up to \$2 million for working capital (including fixed debts, payroll, accounts payable and other bills that cannot be paid because of the disaster's impact) to help small businesses meet their operating expenses that cannot be met as a direct result of the disaster.

However, the vast majority of start-ups would almost certainly be prevented from receiving SBA's disaster loans unless and until the SBA issues clarifying guidance on 'affiliation rules,' as noted above.

The greatest obstacle start-ups face in receiving loans that would be converted to grants is the SBA's 'affiliation rules,' but if those rules are clarified to include start-ups, start-ups will be included regardless of whether they were considered to be providing 'essential' or 'non-essential' services under Governor Newsom's 'stay at home' order.

Q: Will companies be penalized/ineligible for the SBA [Payment Protection Program](#) (offers up to \$10 million loans) if my company has already furloughed workers?

The eligibility of startups through the [PPP program](#) depends on the SBA's application of its 'affiliation rules' mentioned above. However, if that issue is resolved then most startups with under 500 employees would likely qualify for [PPP loans](#). These loans could be converted to grants based on the company's data on employee retention following acceptance of the loan. A company will not be made ineligible for the Payment Protection Plan for furloughing, laying off or reducing the salary/wages of employees before accepting the loan. If companies re-hire employees after accepting the PPP loan, they'll receive additional credit to cover their wages.

Every \$1 your company spent on payroll, utilities, rent or interest on mortgage debt (doesn't include prepayment or payment of principal on a covered mortgage obligation) in the 8-week period after origination of the loan will be added together. That amount will be forgiven, up to the total amount your company borrowed through the program, if there weren't any employee reductions and reductions of wages of employees making less than \$100K by 25% or more starting with the day the loan began. If the company proceeds with layoffs/furloughs/wage reductions, then the loan will only be partially forgiven, based on the PPP's forgiveness formula.

Further details are subject to the SBA's final guidance on PPP loans, so keep checking back on the [SBA's PPP website](#).

Q: If my startup gets a PPP loan, can I use it to pay for benefits of an employee making more than \$100K?

Yes, PPP loans can be used for the first \$100K on an employee's compensation, which includes both salary and benefits. PPP loans can go toward retirement, health insurance costs, and other benefits but the total amount of PPP funding going toward benefits and salary is capped at the \$100K threshold.

COVID-19 Economic Resources for Individuals

- **Speaker Nancy Pelosi's COVID-19 [Constituent Services Resources Toolkit](#)**
- **Senator Dianne Feinstein and Senate Democrats [Q&A on CARES](#)**
- **California's new website** where constituents can find the most up-to-date info on our state's efforts to combat COVID-19. The [website](#) includes resources to apply for unemployment, disability benefits, and paid family leave.
- **Emergency Cash Rebates info** from the House Ways and Means Committee [in English](#) and [Spanish](#)
- **[Overview of Unemployment Insurance](#)** under the CARES Act from the House Ways and Means Committee.

Federal Resources for Small Businesses

- **Congressional Research Service** on [COVID-19 Stimulus Assistance to Small Businesses](#)
- **House Committee on Small Business [Factsheet](#)**
- **Small Business Owner's [Guide to the CARES Act](#)**
- **Senator Brian Schatz: [Small Business Resources](#)**
- **CDC: [Businesses & Employer Resources](#)**
- **OSHA COVID-19 [Guidance for Businesses](#)**
- **For more on tax relief provisions**, see [the IRS website](#)
- **Small Business Administration: [Small Business Guidance and Loan Resources](#)**
 - [Paycheck Protection Program \(up to \\$10 million per business\)](#)
 - [Economic Injury Disaster Loans and Loan Advance](#)
 - [SBA Debt Relief](#)
 - [SBA Express Bridge Loans](#)
 - [Local Assistance](#)
 - [SBA's Northern California Regional Office of Government Contracting Office](#)

City Resources for Small Businesses

Fremont: Email: econdev@fremont.gov

Newark Email: anne.stedler@newark.org

Milpitas: Email: econdev@ci.milpitas.ca.gov

San Jose: Email: economic.development@sanjoseca.gov

Sunnyvale: Email: mrodriguez@sunnyvale.ca.gov

Santa Clara: Email: economicdevelopment@santaclaraca.gov

Cupertino: Email: econdev@cupertino.org

County Resources

Santa Clara County: cbolais@EOC.SCCGOV.ORG **Alameda County:** nCoV@acgov.org

Silicon Valley Small Business Development Center: <https://www.svsbdc.org/resources/small-business-topics>

CA State Resources

[Small Business Finance Center](#)

[The Governor's Office of Business and Economic Development](#)

[California Employment Development Department \(EDD\)](#)

[California Capital Access Program \(CalCAP\) for Small Business](#)