COVID-19 Related Federal Support Programs Available to Dealers

New laws and regulations have created or expanded several government programs that can assist franchised dealerships with weathering the economic downturn associated with the coronavirus pandemic. This summary provides a brief overview of these programs. This is not an exhaustive list, and there are also state and local programs that may be beneficial. Please see NADA's Coronavirus Hub for more information.

- **Paycheck Protection Program (PPP):** Created by the CARES Act, the PPP is administered by the Small Business Administration (SBA) and is designed to keep employees on the payroll through at least June 30, 2020. Loan amounts may be up to 2.5 times a business's average monthly payroll. Generally, PPP loans will be forgiven if employees are kept on the payroll for eight weeks and the money is properly used for payroll costs, rent, mortgage interest, and utilities. Important conditions, limitations, and other details on the PPP are available here and in NADA's CARES Act FAQs, and a list of participating PPP lenders is available here.

- **Economic Injury Disaster Loan (EIDL):** The EIDL program provides working capital loans of up to $2 million to small businesses and nonprofits affected by the coronavirus. These loans carry an interest rate of 3.75% for small businesses and 2.75% for nonprofits. Loan repayment terms vary by applicant and are up to a maximum of 30 years. The CARES Act updated the program so that sole proprietors and businesses with fewer than 500 employees qualify, and it waived personal guarantees on loans under $200,000. Payments can be deferred for up to four years. Applicants also can access EIDL grants of $10,000, even if their EIDL loan applications are ultimately rejected. Currently, the EIDL program is closed to non-agricultural applicants. Additional information on the EIDL program is found here and in NADA's CARES Act FAQs.

- **SBA Section 504 Real Estate Loans:** SBA Section 504 real estate loans provide approved small businesses with long-term, fixed-rate financing to acquire fixed assets for expansion or modernization. SBA Section 504 loans are made available through Certified Development Companies (CDCs). SBA 504 loans are typically structured with SBA providing 40% of the total project costs, a participating lender covering up to 50% of the total project costs, and the borrower contributing the remaining 10% (20% under certain circumstances). Additional information on SBA Section 504 loans is available here. To find a CDC, contact your local SBA District Office.

- **Federal Reserve Main Street Lending Program (MSLP):** Businesses with as many as 15,000 employees and up to $5 billion in annual revenue may be eligible for the CARES Act-expanded MSLP offered by Treasury and the Federal Reserve. MSLP loans may be used for a new line of credit or to expand an existing line of credit from an eligible lender. Loan terms vary depending on loan type. Unlike the PPP, MSLP loans do not include potential "forgiveness." Additional information on the MSLP and links to the term sheets for each loan type are available here. See also NADA's MSLP white paper.

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- **Employee Retention Tax Credit (ERTC):** The ERTC was created by the CARES Act to keep workers employed by offering businesses a fully refundable tax credit equal to 50 percent of the wages paid to employees from March 13, 2020 through December 31, 2020. The tax credit is limited to $5,000 per employee ($10,000 in wages paid). Businesses are eligible for the ERTC if they either: (1) fully or partially suspend operations during any calendar quarter in 2020 due to a COVID-19 related order from an appropriate governmental authority limiting commerce, travel, or group meetings; or (2) experience a significant decline in gross receipts during a similar calendar quarter. Businesses that receive PPP loans are ineligible for the ERTC. Additional information on the ERTC is available here from the IRS, and from NADA's FAQ on the CARES Act.

- **Tax Credits for Expanded Sick and Family Leave:** Dealerships are generally required by the Families First Coronavirus Relief Act (FFCRA) to provide paid sick and family leave under certain circumstances related to COVID-19. However, such paid leave is fully funded through refundable tax credits, and dealerships may use withheld federal employment and income taxes from all of their employees to pay the new entitlement rather than depositing them with the IRS. Dealers may use IRS Form 7200 to claim amounts not covered by its withholdings. Additional information on the FFCRA leave entitlement and tax credits is available here. See also NADA's guide to the FFCRA.

- **Other Tax Credits/Benefits:** Recent federal legislation modified a number of tax provisions to assist businesses with liquidity concerns during the COVID-19 pandemic. For example, limitations on interest deductibility generally have been increased from 30 percent to 50 percent. Additionally, businesses may be able to offset losses in 2018, 2019, and 2020 against profits from the previous five years, and may also be able to delay depositing the employer's portion of the social security tax until the earlier of PPP loan forgiveness or the end of 2020. Lastly, the "QIP Glitch" from the 2017 tax reform law has been fixed, allowing dealers to deduct more expeditiously expenses that are related to qualified improvements to retail property. Additional information on these tax changes are available in NADA's CARES Act FAQ.

Legal disclaimer: *The foregoing summary of COVID-19 related federal support programs for dealers is offered for informational purposes only and is not intended as legal advice. Consult an attorney that is familiar with your operations and applicable federal, state, and local law for compliance guidance specific to your dealership.*