

# Guide to CARES Act Benefits

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To help the music industry navigate the economic disruption posed by the novel Coronavirus (COVID-19), Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act which provides billions of dollars in disaster recovery relief to struggling small businesses and, for the first time, makes independent contractors, sole proprietors and self-employed individuals eligible for the same relief from the federal government.

Here is a guide to the various government resources now available. For more industry wide information and updates, visit [www.musiccovidrelief.com](http://www.musiccovidrelief.com).

The CARES Act provides the following types of federal assistance:

- Stimulus payments
- Unemployment benefits
- Grants through the Small Business Administration (SBA)
- Loans through the Small Business Administration (SBA)

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## Stimulus Payments

Direct payments will go to all U.S. residents within certain income thresholds. The Administration has set a goal of sending checks or direct deposits from the IRS starting the week of April 6.

Who is eligible and how much?

Those with adjusted gross income up to \$75,000 for single filers (\$150,000 for joint filers). The payment amount is reduced by \$5 for every \$100 in income above \$75,000 (single)/ \$112,500 (head of household)/ \$150,000 (joint).

Singles and heads of households will receive \$1,200 (\$2,400 for married couples filing joint returns). \$500 per qualifying child dependent under age 17. A family of four would receive \$3,400. For more information, visit

<https://www.irs.gov/coronavirus>.

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## Pandemic Unemployment Assistance

The legislation also creates a new program modeled on Disaster Unemployment Assistance that provides unemployment benefits to individuals who normally do not qualify for regular unemployment compensation and are unable to work due to the COVID-19 public health emergency. This program will be state administered but federally funded.

Who is now eligible?

Self-employed workers, sole proprietors, independent contractors, part-time workers, and those with limited work histories.

How much and for how long?

Eligible workers will receive an additional \$600 per week until July 31, 2020 and a 13-week extension of federally funded unemployment insurance benefits.

How do I apply?

Since unemployment benefits are state administered, you should contact your [state's unemployment insurance program](#) for details on how to apply for unemployment during a disaster.

## SBA Emergency Economic Injury Grants

The CARES Act creates a \$10 billion fund for immediate disaster grants, leveraging SBA's Office of Disaster Assistance infrastructure, to provide quick, much needed capital. It requires the SBA to disburse within three days of verifying the business's or individual's eligibility.

Who is eligible?

Individuals who operate as independent contractors, a sole proprietorship (with or without employees) or are self-employed, along with traditional small businesses. You must have been operational since January 31, 2020.

How much can I receive and what are the allowable uses?

You can receive an emergency advance of up to \$10,000 to cover immediate payroll, mortgage, rent, debts and other operating expenses while waiting for additional relief to be processed, i.e., low interest, no fee, government backed loans. This advance does not need to be repaid.

How long are these grants available for?

The grants are backdated to January 31, 2020 to allow those who have already applied to be eligible to receive a grant and are available until December 31, 2020.

Are grant recipients eligible for other SBA programs?

Yes, you remain eligible for the paycheck protection program, a new loan created by this legislation, disaster loans, and regular SBA-back loans.

How do I apply?

You first apply for an [SBA Economic Injury Disaster Loan \(EIDL\)](#) and then request an advance.

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## SBA Economic Injury Disaster Loans (EIDL)

The CARES Act makes available low interest loans (3.75% or lower) of up to \$2 million, with principal and interest deferment at SBA's discretion for up to 4 years. These loans can be used to pay expenses that would have been paid had the disaster not occurred, including payroll and other operating expenses, such as debts, rent and mortgage payments.

Who is eligible?

Individuals who operate as independent contractors, a sole proprietorship (with or without employees) or are self-employed, along with traditional small businesses. You must have been operational since January 31, 2020.

How long are these loans available for?

The loans are backdated to January 31, 2020 to allow those who have already applied for EIDLs to be eligible to receive a loan and are available until December 31, 2020.

Do these loans have to be paid back?

Yes, but terms are favorable and flexible.

How do I apply for an Economic Injury Disaster Loan (EIDL)?

Click [here](#)

## Paycheck Protection Program Loans

The CARES Act establishes a new SBA loan called the Paycheck Protection Program (PPP). These loans can be up to \$10 million and are 100 percent guaranteed, low interest (.50% fixed rate), no fees, with repayment deferred for at least six months up to one year. For more information, click [here](#).

Who is eligible?

Individuals who operate as independent contractors, a sole proprietorship (with or without employees) or are self-employed now qualify, along with traditional small businesses. An individual's business must have been operational on February 15, 2020.

How long are these loans available for?

The loans are backdated to February 15, 2020 for those impacted by COVID-19 and are available until June 30, 2020.

What are the allowable uses for the loan?

- Payments of interest on any mortgage obligation (does not include any prepayment of or payment of principal on a mortgage obligation)
- Rent (including rent under a lease agreement)
- Utilities (electricity, gas, water, transportation, telephone, or internet)
- Interest on any other debt obligations that were incurred before the covered period
- Payroll costs and certain employee benefits (healthcare, annual leave) for traditional small businesses

How would the SBA calculate the amount of a loan?

The amount would be the sum of payments of any compensation to or income of a sole proprietor or independent contractor that is a wage, commission, income, net earnings from self-employment, or similar compensation. The loan amount cannot be more than \$100,000 in one year, as pro-rated for the covered period.

Is there loan forgiveness?

Yes, applicants can receive loan forgiveness for payroll costs, interest payments on mortgages, rent payments, leases, and utility service agreements. The loan is forgiven at the end of the 8-week period after you take out the loan. Borrowers will need to provide documents verifying such payments on eligible mortgage, rent/lease and utility costs, as well as payroll costs that show you maintained full time equivalent employees and pay rates. You must also certify your documentation is true through a representative of the business/organization that is authorized to certify. Your lender is required to make a decision within 60 days.

Can I get more than one PPP loan?

No, a business or individual is limited to one loan under this program. Each loan will be registered under a Taxpayer Identification Number at SBA to prevent multiple loans to the same business or person.

How does the PPP loan work with the temporary Emergency Economic Injury Grants and Economic Injury Disaster Loans (EIDL)?

Emergency Economic Injury Grant and Economic Injury Disaster Loan (EIDL) recipients may also apply for and take out a PPP loan as long as there is no duplication in the uses of funds.

How and when can I apply for a loan?

You can apply [here](#) and work with SBA's network of 2,500 7(a) private lenders, federally insured depository institutions or credit unions who will process and disburse these loans. Additional lenders will be quickly added to reach as many eligible recipients as possible. We advise you to reach out to your bank to see if they are a 7(a) lender. Here is a [list](#) of most active lenders.

- Starting April 3, 2020, small businesses and sole proprietorships can apply for and receive loans.
- Starting April 10, 2020, independent contractors and self-employed individuals can apply for and receive loans.