



Dear Aspen Business Owner,

Congress passed the CARES Act and it was signed into law on Friday, March 27, 2020. I encourage you to visit this page often as we post new information as it becomes available. This [webinar from Inc. Magazine](#) offers some helpful CARES Act information.

Below are some of the most frequently asked questions from our business community about the CARES Act:

**Now that the CARES Act has passed, then banks can start offering the 100% guaranteed loans?**

Not quite. The SBA Administrator must interpret the law and publish the new rules. The Administrator then has to communicate with all of the SBA lenders/banks in Colorado about how to interpret the rules. At that point, lenders/banks must be clear about what documents are needed for each applicant, what rules to apply, and then how much the loan can be.

**What should business owners know?**

It will take some time to get guidance from SBA, and then, define the application and underwriting requirements to make these loans. Then banks have to create a process to get as many of these loans out to business applicants as possible. It may take a couple of weeks - at least - to complete all of the back-end work that needs to be done.

**What should business owners do now to prepare?**

- Compile your last three years of tax returns for the business and any affiliated businesses (if any 20% or more owner of the applicant business also owns 50% or more of another business, that is an affiliate, as are parent companies and subsidiaries of the applicant).
- Pull together your 941 Payroll deposits for all of 2019 (businesses usually file these quarterly.)
- Compile all of the W-2s you prepared and sent out for 2019 for all employees.

- You will have to fill out some forms, although we don't know exactly how many. The SBA will most likely require a modified SBA Form 1919 for each 20% or more owner and the applicant business, and banks will need those forms completed. Banks will also have some additional forms to fill out.

- Create a written narrative to help us understand how the Coronavirus impacted your business so the bank can include the document in its file.

### **How much money will a business get under this program?**

An amount equal to 2.5x the average monthly payroll expenses for 2019, provided you cap any individual employee/associate to no greater than total annual compensation (including health insurance, taxes, etc.) of \$100,000. For example, if a company has \$1,200,000 in annual payroll and related expenses, and no single employee makes more than \$100,000 annually, they can expect to get  $\$100,000 \times 2.5 = \$250,000$ . [Note: the formula no longer includes other expenses like debt payments, mortgage and rent payments.]

### **What can the business spend the money on?**

Payroll, utilities, rent, and interest payments on debt (Note: principal is not included).

### **What about the debt forgiveness part of this plan?**

There are rules that allow the business to submit certain information to the bank, certify its accuracy, and then the bank will submit the information to the SBA for repayment by SBA (i.e. debt forgiveness), but those rules also must be published. We do know that it is tied to actual payroll spent for some period (likely 2 months) after the loan is funded, and excludes all of the compensation paid to an individual that makes more than \$100,000 in total compensation, but it includes other eligible expenses; and there is an adjustment (downward) for any layoffs versus last year's employment or salary/wage reductions greater than 25%.

### **If the debt isn't forgiven, what then?**

The client will have to repay the balance over what is left over 10 years at a fixed rate of 4%.

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