

The CARES Act: Small Business Loan May Help Employers Maintain Payroll & Employee Health Benefits

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Under the [Coronavirus Aid, Relief and Economic Stability \(CARES\) Act](#), small businesses (with fewer than 500 employees) may apply for a loan up to \$10 million under [Section 7\(a\)](#) of the Small Business Act.

Who is Eligible for the Loan?

Small Businesses

- Any business, private nonprofit organization, or public nonprofit organization that has no more than 500 employees and was operational on **March 1, 2020** (and paid employee salaries and taxes) is eligible to apply for a loan.

Maintaining Payroll & Employee Benefits

Eligible Expenses

- Eligible employers may use the loan to pay for the following expenses: payroll costs, mortgage payments, rent (including rent under a lease agreement), utilities, and any debt obligations incurred prior to the loan.
- **Payroll costs** include the following: salary, wages, tips, sick leave, medical or family leave, group health benefits, retirement benefits, and any employer paid payroll taxes.
- **PLEASE NOTE:** The SBA has yet to clarify which group health benefits may qualify as payroll costs and whether or not non-group health benefits (i.e. life and disability benefits) will also qualify.

Loan Forgiveness

Eligible employers who receive a loan under the CARE Act may be eligible for loan forgiveness (up to 100%) if the loan is used to maintain certain payroll costs, including group health benefits.

Additional Questions?

For more information on how to apply for a small business loan and the loan forgiveness program, please contact your **commercial lender** and your local **SBA office**.

We also recommend visiting the [SBA's COVID-19 Resource page](#) and the [U.S. Chamber of Commerce COVID-19 Loan Guide](#) for more information.

If you have any additional questions or concerns please contact me at adillingham@benefitreview.com

Disclaimer: This Compliance Alert is for informational purposes only. It is not intended to be exhaustive and should not be construed as or substituted for legal or tax advice. Please consult with legal counsel or a tax advisor for further guidance.

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