



EIDL program retooled for still-struggling small businesses

For many small businesses, the grand reopening is still on hold. The rapid spread of the Delta variant of COVID-19 has mired a variety of companies in diminished revenue and serious staffing shortages. In response, the Small Business Administration (SBA) has retooled its Economic Injury Disaster Loan (EIDL) program to offer targeted relief to eligible employers.

A brief history

The EIDL program was in place well before 2020. However, the federal government has ramped up the initiative's visibility while trying to help small businesses during the pandemic.

With the entire country essentially declared a disaster area, the CARES Act established an enhanced EIDL program for small businesses affected by COVID-19. It offered lower interest rates, longer repayment terms and a streamlined application process.

The American Rescue Plan Act upped the ante, offering eligible companies targeted EIDL advances that are excluded from the gross income of the person who receives the funds. The law stipulates that no deduction or basis increase will be denied, and no tax attribute will be reduced, because of this gross income exclusion.

Latest enhancements

The SBA's most recent enhancements to the EIDL program offer "a lifeline to millions of small businesses who are still being impacted by the pandemic," according to SBA Administrator Isabella Casillas Guzman. (Eligible employers include not only small businesses, but also qualifying nonprofits and agricultural companies in all U.S. states and territories.)

First and foremost, the loan cap has increased from \$500,000 to \$2 million. Eligible small businesses can use these funds for almost any operating expense, including payroll and equipment purchases. Funds can also be applied for certain debt payments. Specifically, the SBA has expanded the allowable use of EIDL funds to prepay commercial debt and pay down federal business debt.

In addition, the agency has implemented a new deferred payment period under which borrowers can wait until two years after loan origination to begin repaying their COVID-related EIDLs.

Application details

If you believe your small business could qualify and benefit from these newly enhanced EIDLs, first identify how much money you need and how soon you need it. The SBA is offering a 30-day "exclusivity window" to approve and disburse loans of \$500,000 or less. Approval and disbursement of loans of more than \$500,000 will begin after this 30-day period.

The agency has also rolled out a streamlined application process that establishes "more simplified affiliation requirements" modeled after those of the Restaurant Revitalization Fund. The deadline for applications remains December 31, 2021. As is the case with any government loan, it's better to apply earlier rather than later in case funds run out.

Help with the process

For further details about the new and improved COVID-related EIDL program, go to sba.gov/eidl. And don't hesitate to contact us. We can help you determine whether your small business qualifies for one of these loans and, if so, assist with completing the application process.