COVID-19: Tips to Navigate Federal Relief Options For Family Child Care Providers

April 23, 2020

✓ Child Care & Development Block Grant
✓ Small Business Administration (SBA) Programs
✓ Unemployment Compensation
Overview of Today’s Webinar: Demystifying Federal Relief

COVID-19 Federal Response:
• 3 bills approved by Congress in March
• $3.5 billion increase for child care
• Small Business Administration grants and loans
• Unemployment Assistance

Goal Today: to help family child care providers understand options and access support
• No one-size-fits-all approach
• Translating policy to practice

Note: This webinar does not offer individual professional legal or tax advice. The intent is to explain the policies so that navigating the new supports is easier to understand and choices can be made in a way that works best for you.
Congress approved $3.5 billion for the Child Care and Development Block Grant

- This funding goes to states.
- Huge added flexibility: to support providers and families even if they aren’t currently caring for children who receive a child care subsidy.
- Every state gets a piece of the $3.5 billion total.

Governors and Child Care Administrators make decisions on the details

- How will limited funding be prioritized and dispersed to reach family child care and the families enrolled in family child care?
- What do family child care providers need?
- Well... how do you want it to go?
Getting Involved In Your State

- Child Care Agencies
- Child Care Resource & Referral
- Policy advocacy organizations
- Local and state family child care associations
There are two loan and grant programs available through the Small Business Administration (SBA)

- Economic Injury Disaster Loan (EIDL) (Apply through the SBA web site)
- Paycheck Protection Program (PPP) (Apply at your local bank or any SBA approved lender)

✓ Family Child Care Providers are eligible for both programs

✓ These programs can provide thousands of dollars of forgivable loans now! But, there are some rules...

✓ Funds were depleted. However, Congress approved additional funding to support SBA programs on April 23, 2020

Resources:

SBA Paycheck Protection Program:

EIDL:
SBA Economic Injury Disaster Loan (EIDL)

Forgivable Loan

You can get up to $1,000 in a forgivable loan for each employee:
  • You can count yourself as an employee

You can use this money for whatever you want for your business

Apply online through the SBA – not through your bank
https://www.sba.gov – or directly to the EIDL SBA information link.

You can call them at 1-800-659-2955 or email disastercustomerservice@sba.gov

Tip: Advance forgivable loan vs larger loan amount to be repaid

You can get up to $1,000 in a forgivable loan for each employee:
  • If you want more than $1,000 you would have to pay it back at an interest rate of 3.75% over 30 years
  • Payments deferred for 1 year
  • The SBA may ask for more financial information after you submit your application if you want more than $1,000
  • If you applied for this loan before 3/29, reapply

I have written about this on my website:
### SBA Economic Injury Disaster Loan (EIDL)

**Tip:**

**Eligible Entity Verification**

- If you are self-employed, check the second box: “Applicant is an individual who operates under a sole proprietorship, with or without employees, or as an independent contractor.”
- If you are incorporated, check the first box.
- Under “Review and Check All of the Following” check all the boxes.
Tip: Step One: Business Information

- **Business Legal Name:** If you have registered your business name, enter it. Otherwise, enter your own name.

- **Trade Name:** Enter “family child care”

- **EIN/Social Security Number:** Enter EIN if you have one.

- **Organization Type:** Enter “sole proprietor”

- **Enter “no” for Non-Profit and Franchise**

- **Gross Revenues:** Enter amount from 2019 (or 2018) Schedule C, line 7

- **Cost of goods:** Enter zero, unless you did show a number on Schedule C, line 4

- **Rental Properties:** Enter zero
Tip: Step One: More on Step 1, Business Information

- **Non-Profit Cost of Operation:** Enter zero
- **Combined Annual Operating Expenses:** Enter zero
- **List Secular Social Services Provided by Faith Based Entity:** Enter zero
- **Compensation from Other Sources:** Enter zero
- **Provide Brief Description of Other Compensation Sources:** Enter zero
- **Fill out the rest with your contact information**
  - **Date Business Established:** Date you first started caring for children
  - **Current Ownership Since:** Date your first started caring for children
- **Business Activity:** Enter “Educational Services”
- **Detailed Business Activity:** Enter “Daycare”
- **Number of Employees:** Enter 1 for yourself + other employees
**SBA Economic Injury Disaster Loan (EIDL)**

**Tip: Step Two: Business Owners Information**

- **Is Your Business Owned by a Business Entity?** Check the “no” box
- Enter information about yourself
- **Ownership Percent:** Enter “100”
SBA Economic Injury Disaster Loan (EIDL)

Tip: Step Three: Additional Information

Answer the questions
- If someone else helped you fill out this application, enter their name and contact information (Help is ok)
- Check the box that says, “I would like to be considered for an advance of up to $10,000 (you will only receive $1,000 per employee counting yourself as an employee)
- Where to Send Funds
- Enter your bank name, account number and routing number that can be found on the bottom of your checks.
  - The account number is the 12-digit number to the immediate left of your check number
  - The routing number is the 9-digit number to the left of your account number
- Certify truth/No perjury
Summary

• The last page shows a summary of the information you have entered

• Check to see if it is correct and edit if necessary

• Check the ”Submit” button at the bottom of the page

Tip: Next Steps

• Once you fill out this application and submit it online to the SBA, you will wait for them to deposit the money into your bank account

• We don’t know how long it will take for you to get this money – it could be several weeks

• We don’t know if you have already applied for the loan but haven’t heard, whether you should reapply or not – I’d say you should reapply or contact your local Small Business Development Center (SBDC)

• We don’t know if it is taxable income or not
Paycheck Protection Program

This loan program provides loan forgiveness for retaining employees by temporarily expanding the traditional SBA 7(a) loan program.

Tip: The Paycheck Protection Program

• This SBA program is a forgivable loan

• You fill out an application form
  • [https://www.sba.gov/sites/default/files/2020-04/PPP%20Borrower%20Application%20Form.pdf](https://www.sba.gov/sites/default/files/2020-04/PPP%20Borrower%20Application%20Form.pdf)

• Take it to your bank or submit it online. Your local lender will process the loan.

• It’s not taxable income!
SBA Paycheck Protection Program (PPP or P3)

Tip: Filling Out the PPP Application Form

- Check the box at the top of the form as a sole proprietor (self-employed) or other entity
- If you have a DBA name (Doing Business As) enter it in the white box
- Business Legal Name: If you have registered your name with your state, enter it here, otherwise enter your name
- Average Monthly Payroll: This is the key number to calculate
- You don’t have to have employees to apply for the PPP
- What is your “average monthly payroll” if you are self-employed?
SBA Paycheck Protection Program (PPP or P3)

Tip: Filling Out the PPP Application Form

- To calculate your average monthly payroll, you will use your profit from 2019
- Your annual profit is line 31 on your 2019 IRS Schedule C Profit or Loss from Business
- Divide your annual profit by 12 months to get your average monthly profit
  - If your annual profit was $36,000, your average monthly profit was $3,000 ($36,000 divided by 12 = $3,000)
- Enter on the application form $3,000 for Average Monthly Payroll
  - If you have employees, add the average monthly payroll for them
  - Multiply by 2.5 and enter $7,500 in the next box
- This is the maximum you can ask for under the PPP (assuming you have no employees)
- Number of employees: Enter 1 for yourself, plus any others
Tip: Filling Out the PPP Application Form

- **Purpose of the loan:** Check “payroll” and the other boxes
- You can use the PPP money for other expenses
- **Other expenses include:**
  - **Utilities** (gas, electricity, water, Internet, telephone and transportation)
    - Use T/S% for all but transportation: Use $.575 for business miles
  - **Mortgage loan interest**
  - **Rent**
  - **The business portion** of interest on credit cards and car loans

Illustrative Example

- **Utilities for eight weeks:** $600
- **Mortgage loan interest for eight weeks:** $500
- **Credit card/car loan interest for eight weeks:** $100
- **Total:** $1,200 x 30% Time-Space% = $360
- **PPP loan can be used for this $360**
  - In our previous example a provider got $7,500 in total from PPP
    - $360 for other expenses
    - $7,140 for “payroll”
SBA Paycheck Protection Program (PPP or P3)

Tip: Filling Out the PPP Application Form

- **Applicant Ownership:** Put your name and “owner” under Title
- **Ownership %:** Enter 100
- **EIN is your Employer Identification Number if you have one.** If you don’t, enter your Social Security Number
- **Answer the rest of the questions on this page of the application form**
Tip: Filling Out the PPP Application Form

• Initial all the lines on the second page of the application form

• **Note:** You must have been in business by February 15, 2020 to be eligible for this forgivable loan

• I have written about this on my website: [http://tomcopelandblog.com/the-paycheck-protection-program-can-offer-financial-relief](http://tomcopelandblog.com/the-paycheck-protection-program-can-offer-financial-relief)

• You can apply for both the EIDL and the PPP
• If you get both, you must subtract the EIDL amount ($1,000 if you don’t have employees) from your PPP loan
• Banks will determine how much documentation you must provide to show how you spent the money
Challenges

• Some banks are requiring applicants to have a separate business checking account before February 15th, an EIN and a DBA (Doing Business As) that is registered with the state secretary of state’s office
  • THIS IS NOT REQUIRED BY THE CARES ACT, THE NEW FEDERAL LAW

• These requirements seem unnecessary. You may want to press your bank about them to show why it’s not necessary in your business

• Now PayPal and Square can process SBA loans

Note. Undocumented individuals not eligible.
Tip: SBA relief summary

• You may want to explore unemployment, which will be discussed next. State unemployment benefits, plus $600 per week runs through July 31st.

• Next, you can get $1,000 from the EIDL and combine with unemployment, however, additional guidance may be needed as to the period of time for which this counts as income.

• You can apply for the PPP and get up to 2 months of your lost profit.

• But, if you want to apply for EIDL or PPP you should do it now! (on the day the money is available) because it may take awhile to get them approved (and funds could run out).

• Watch the SBA website to see when they will start taking new applications: www.sba.gov
COVID-19: Unemployment

Family Child Care Providers: Open? Closed? Lower enrollment?

• **New Unemployment Rules:** Self-employed people (such as family child care providers) will be able to receive unemployment benefits.

• Congress created a new program for individuals who are typically excluded from state unemployment programs.

• Family child care providers and other self-employed individuals will be eligible under a new **Pandemic Unemployment Assistance (PUA) program.**

• Full or partial benefits depend on your situation (e.g., open, closed, or loss of income - in the event you are caring for fewer children than usual)

• In addition, there’s a new temporary supplement to the regular unemployment payment of $600 weekly through July 31, 2020.
COVID-19: Unemployment

Where do you apply? (In English or Spanish)
• Check your state’s Dept. of Labor/Unemployment Division’s web site. One agency will administer both the state & new federal program – like a one-stop shop. The goal is to make it easy!

• Many state online systems are not operating yet; but they will be soon.
• Best advice: document any loss of income or when you closed, and be ready to provide info when the system is operating.

Unemployment benefits are based on earnings.
• Were your earnings higher in 2019 compared to 2018? If so, file your 2019 taxes online if you haven’t already.

How much are benefits?
• Benefits are based on earnings. However, everyone who receives either state unemployment or the new federal unemployment assistance will receive the $600 weekly supplement (through July 31, 2020).
• Partial payments are possible based on income loss (e.g., you used to care for 6 children and now care for 3).

Unemployment can be paid:
• Through debit cards
• Direct deposit
• Or, a check

Unemployment is income. It’s taxable.
• You may be able to opt to have taxes withheld.

Note. Undocumented individuals not eligible.
Summary Wrap-Up

We’ve discussed A LOT! No doubt, it’s complicated. And, it’s a stressful time. But, this will pass.

- Congress passed 3 major bills in March and while assistance is available, what works best for each individual family child care provider is an individual decision.

- States have received an increase in child care funding. How that money is spent is decided by individual states. You can see how much additional child care funding your state received here.

- SBA Assistance is here.

- A link to your state’s unemployment compensation agency is located here.
Questions? Contact Us!

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