

California Provides Relief for Businesses

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Alongside business relief programs recently made available through the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, the state of California has created and advocated its own business assistance programs and relief.

Small Business Disaster Relief Loan Guarantee Program

Announced on April 2, 2020, the state of California will provide \$50 million to the Small Business Finance Center (SBFC) at the California Infrastructure and Economic Development Bank. The funds will be used to provide loan guarantees and direct loans to businesses that may not qualify for loan relief programs under the CARES Act. Businesses that may be eligible include:

- Small businesses with 1 to 750 employees located in California;
- Businesses in low-wealth and immigrant communities; and
- Nonprofit organizations.

The loans can be used for business expenses including payroll, utilities, and rent.

To help businesses, the SBFC will guarantee 85–95% of the loan for terms of up to seven years or more. As for the loan terms, those are agreed upon between the lender and the borrower, and qualifications are based on the lender's criteria.

California Capital Access Program

Another avenue of relief for small businesses is enrolling in the California Capital Access Program (CalCAP). CalCAP is a loan loss reserve program that can provide up to 100% coverage on losses as a result of certain loan defaults. The program encourages lenders to make loans to borrowers who would typically have difficulty obtaining financing.

Upon enrolling in CalCAP, small businesses can seek up to \$5 million in loans, limited to a maximum of \$2.5 million enrolled over a three-year period, from CalCAP participating lenders.

To qualify for CalCAP, a small business must:

1. Meet the “small business” criteria set by the U.S. Small Business Administration, which is based on the number of employees or annual receipts;
2. Employ less than 500 full-time employees;
3. Have a business purpose that is one of the industries listed in the North American Industry Classification System codes list; and
4. Ensure that the primary business, and at least 51% of the employees or its income, sales, or payroll, comes from business in California.

The loans can be used for:

- Working capital
- Land acquisition
- Construction or renovation of buildings
- Startup costs
- Equipment or inventory purchases
- Capital projects

The business activity resulting from the loan must be created and retained in California.

Tax Relief for Businesses

The California Franchise Tax Board has extended the due date for filing and paying tax returns for less than \$1 million until July 15, 2020, enabling small businesses some form of immediate tax relief during this pandemic.

Similarly, the Department of Tax and Fee Administration has now extended accepting refund claims for 60 days.

In addition to deferring the tax filing date and extending the refund claims date, businesses can now potentially benefit from the following under the federal CARES Act:

- Tax Relief for Employee Retention. Businesses may be eligible for an employee retention credit if their business operations were fully or partially suspended due to COVID-19 or if gross receipts declined by more than 50% compared to the same quarter in the prior year.
- Tax Relief for Payment of Payroll Taxes. Businesses may be able to defer their payroll tax payments. These payments, the employer share of Social Security tax owed for 2020, may instead be deferred and paid over the next two years.
- Tax Relief for Net Operating Losses. Some businesses may be able to carry back for five years net operating losses generated in a taxable year beginning in 2018, 2019, or 2020. These carrybacks will enable businesses to generate funds by filing amended returns. In addition, the taxable income limitation is temporarily removed, allowing net operating losses to fully offset net taxable income.

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