



Some confusion surrounds coronavirus-related small business loans in Tennessee

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(The Center Square) – Tennessee small businesses are eligible for up to \$10 million each in forgivable loans as part of the \$2 trillion federal COVID-19 relief package, but some business owners are struggling to understand how to comply with the rules.

Like in many states, restrictions enacted by Gov. Bill Lee have caused many businesses to scale back services or temporarily shut down. Restaurants cannot provide dine-in services and nonessential businesses have been forced to close.

Under the Paycheck Protection Program in the Coronavirus Aid, Relief, and Economic Security (CARES) Act, a small business, which is usually classified as a business that employs 500 or fewer people, is eligible for forgivable loans. A business can borrow 250 percent of its average monthly payroll expenses, up to \$10 million. The government allocated \$350 billion for this program.

Expenses that cover payroll, existing interest payments on mortgages, rent payments, leases and utility service agreements are eligible to be forgiven. The loans can be used on other expenses, but those expenses would not be forgiven.

Jim Brown, the Tennessee state director for the National Federation of Independent Business, told The Center Square he hopes the loans will help keep small businesses afloat, but that it's not yet clear how the loans will work.

"The biggest problems we're hearing from the ground today are understanding how to comply with [Families First Coronavirus Response Act] and CARES with effective dates looming and needed guidance," Brown said in an email.

Employers are getting requests from employees to be laid off so they can take advantage of the federal \$600 weekly unemployment benefit that's combined with Tennessee's \$275-a-week maximum benefit, said Brown, who also noted business owners were having problems with the Small Business Administration's loan website.

Brown said the most important thing governments can do is get money out the door. He said businesses still are awaiting specifics and the sooner the guidance is issued, the sooner businesses can see relief. He said every day matters.

Chris Edwards, the director of tax policy studies at the libertarian Cato Institute, raised concerns about the approach of the federal government and state governments.

Edwards told The Center Square these loans will function essentially as grants because the government will forgive most of them. He said that these costs will be added to the \$23 trillion debt taxpayers ultimately will need to pay back.

Although Edwards said these loans will help some businesses stay afloat, he noted the loans also come with some strings attached. Because of this, he said it is sometimes risky for businesses to take the loans because of disputes with the government that could erupt afterward.

With the possibility of businesses being closed for months, Edwards said the government needs to focus on ways to get businesses back up and running in a safe way. He said less strict restrictions, such as a 10-patron limit, often can be better than forcing a business to close completely.

The CARES Act is designed to fund measures to combat the spread of COVID-19 and to relieve some of the economic burdens it has caused for businesses, individuals and state and local governments.

COVID-19 is a respiratory disease caused by a novel coronavirus.

Tennessee has 2,239 confirmed COVID-19 cases, 175 hospitalizations and 23 deaths, according to the Tennessee Department of Health. The U.S. has more than 185,000 cases and at least 3,789 deaths.

COVID-19 symptoms appear within two to 14 days after exposure and include fever, cough, runny nose and difficulty breathing.