

Small Business Lifeline Fund

Small businesses are feeling the impact of customers practicing social distancing and states enacting forced closures of schools and events. Senator Jones is proposing a new “Small Business Lifeline Fund” to help keep small businesses afloat and workers paid. In addition to direct assistance payments for workers and families, this approach is a more targeted way to assist small businesses and ensure payroll taxes continue to be paid.

The Problem

Without customers, small businesses like restaurants and retailers, will go bankrupt. They’ll be forced to lay off employees, leading more people to file for unemployment benefits. While banks may have the most experience in offering lines of credit, they do not have the capacity to risk-assess the countless small businesses that will need help in this crisis. Small businesses need quick access to short-term loans to keep them afloat and ensure their employees are paid.

The Solution

Senator Jones is proposing to create a “Small Business Lifeline Fund” (SBLF) that would offer no-interest “bridge” loans for up to three months to be paid back over five years. The program would be administered by the Small Business Administration (SBA) and it would offer loans to fund up to 75-percent of their last three months of payroll, with no employee receiving more than \$5,000.

How Would It Work?

If their payroll company participates in the SBA program, a small business would approve the arrangement by agreeing to all of the loan terms and conditions. The payroll company would use last 90 days of payroll and certify with SBA that the loan amount is appropriate and reasonable.

Why Use Payroll Companies?

Payroll processors handle approximately 40-percent of all the payroll checks in the country and mostly cater to small businesses of 500 employees or fewer. Using payroll processors also alleviates the burden for small business to determine how much to pay in state and federal income tax, Social Security, Medicare, and 401k contributions. They are uniquely positioned to facilitate the SBLF because of their access to employee data and payroll history, and could ensure that every small business in the country continues to make their payroll.