

# Six Steps to Take If COVID-19 Shuts Down Your Business

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 [bench.co/blog/operations/covid19-shut-down-business](https://bench.co/blog/operations/covid19-shut-down-business)



Can your business survive without revenue? What should you do if COVID-19 has effectively shut down your business?

Here's a step-by-step guide for what to do next if the coronavirus has dramatically affected your small business for the worse.

## Step 1: Proactively communicate with vendors, lenders, and suppliers

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Many utility companies, service providers, and banks have issued statements indicating they are willing to work with customers who are facing financial difficulties due to COVID-19.

If you know you're going to have trouble paying your bills in the coming months, talk to your lenders, vendors, and suppliers to discuss your options. They may be able to waive fees or offer extended payment options.

The key is to reach out and ask about your available options. These companies will be much more willing to work with you if you're upfront about the situation.

## Step 2: Hold on to your tax payments

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If you've been setting aside money for taxes, you can put those funds to another use for the time being. The U.S. Treasury announced a 90-day extension of time to file 2019 tax returns and pay the taxes that would have been due on April 15, 2020. You now have until July 15, 2020 to pay any taxes due for the 2019 tax year. Use the money you were setting aside to cover crucial expenses while you're unable to operate.

If you were expecting a refund, the IRS announced that refunds will still be processed. So file your tax return as soon as you're able. The sooner you file, the sooner you'll be able to use that refund money to cover necessary bills.

## Step 3: Consider emergency loan options

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The U.S. Small Business Administration has a couple loan programs that may help.

### SBA Economic Injury Disaster Loans

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The SBA announced it will provide targeted, low-interest disaster recovery loans to small businesses that have been severely impacted by COVID-19.

The SBA's Economic Injury Disaster Loans allow small businesses to borrow up to \$2 million. The funds can be used to overcome a temporary loss of revenue, make debt payments, meet payroll obligations, and cover accounts payable and other bills.

The loans are only available to non-profit organizations and for-profit businesses that don't have credit available elsewhere. The SBA offers long-term repayment plans—up to 30 years—to help keep monthly payments affordable. You can locate an SBA-approved lender near you by using the SBA's [Lender Match](#) tool.

It typically takes the SBA at least four weeks to make a decision on your loan application.

**Further reading:** [How to Get an SBA Disaster Loan](#)

### SBA Express Bridge Loans

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For faster funding, you might consider an SBA Express Bridge Loan.

The Express Bridge Loan program allows small businesses to borrow up to \$25,000 for up to 7 years, and you can only get one from a lender you were already banking with at the time of the disaster. The SBA can turn around an Express Loan application within 36 hours, although it might take your bank longer to process the paperwork on their end.

## Need financial statements for your loan application?

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Speak with a Bench expert to learn how we can do your bookkeeping for 2019 and 2020 so you can get the financial statements you need for a strong loan application.

[Get Started](#)

## Step 4: Look for government relief packages

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In the U.S., the federal, state, and many local governments agencies are working on strategies to support small businesses that are being impacted by COVID-19.

The federal government recently passed a [massive coronavirus relief bill](#) that will provide a major economic stimulus.

Highlights of the Coronavirus Aid, Relief and Economic Security (CARES) Act include:

- Tax credits for offering paid leave and keeping employees on payroll during the pandemic
- Deferral of the employer's portion of Social Security taxes
- Expanding unemployment benefits to self-employed people and independent contractors
- Forgivable loans for employers that keep payrolls steady through the crisis

Some states and municipalities are also extending filing and payment deadlines for businesses and individuals and enacting other economic relief packages.

Our friends at Gusto put together a [list of relief resources for small business owners](#) that includes state-specific programs. Keep in mind that the situation is changing rapidly, so check the IRS website, your state and local revenue departments, and your tax professional for more information.

## Step 5: Research other grant and assistance programs

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Facebook recently announced they're setting aside \$100 million for cash grants to up to 30,000 eligible small businesses in 30 countries. While full details aren't available yet, the program [website](#) indicates the grant money may be used to pay employees, help with rent, and cover other operational costs. You can sign up for updates to receive more information as it becomes available.

Amazon is also promising to provide \$5 million in emergency funding to small businesses around its Seattle headquarters. The company's [Neighborhood Small Business Relief Fund](#) is designed to help small businesses in the area that are negatively impacted by a loss of foot traffic due to the coronavirus.

These are just two examples of ways that major corporations have stepped up to help small businesses maintain their livelihoods.

Check out our [Ultimate List of U.S. Small Business Grants](#) for more grant programs and tips for applying.

## Step 6: Consider bankruptcy

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Bankruptcy is a legal process designed to help individuals and businesses get a financial fresh start by wiping out their debts or making a more manageable repayment plan.

Bankruptcy may be the last resort, but sometimes it's the right move.

There are several different types of bankruptcy, and the one that's right for you will depend on your situation and state laws.

- **Chapter 11 bankruptcy** is designed for businesses, but it's generally only useful for reorganizing large, publicly traded companies. One exception is if the business owner has a high personal net worth and regular income.
- **Chapter 7 bankruptcy** is known as liquidation bankruptcy. It involves selling off property, using the proceeds to pay creditors, and eliminating the remaining eligible debt. This form of bankruptcy is generally reserved for people with no or low income who have no hope of being able to repay their debts.
- **Chapter 13 bankruptcy** is designed for people who have a regular source of income and the ability to repay at least a portion of their debts. Rather than liquidating assets to pay creditors, the debtor proposes a plan for repaying debts over a three- to five-year period. Once the court approves the plan, and as long as it is in effect, creditors cannot sue the debtor or garnish their wages.

If you feel like bankruptcy might be your only option, talk to an experienced bankruptcy attorney who is familiar with the laws in your state. You can usually get a referral from your family attorney or your local bar association.

More COVID-19 resources

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