

Obtaining Disaster Assistance for Small Businesses and the Self-Employed

If you are self-employed or own a small or home-based business, whether or not you have employees, you may face many challenges after a natural disaster. The decisions you make at this critical time can affect your business for many years. Your business losses may extend far beyond physical damage. What was once normal in the business community is often never that again. Knowing this now can help you make the decisions necessary for recovery. More than 43 percent of businesses never open their doors again after a major disaster. Of those that do, 51 percent close within 2 years. Only 6 percent survive longer. Knowing the right questions to ask, having the right information available, making the best-informed decisions you can, and acting on those decisions can make the difference between being “Open for Business” and “Out of Business”!

Assistance for Your Business

There are resources to assist in the recovery and reopening of a business. The more quickly you assess the damage and seek assistance, the better the chances are for your small business to reopen with minimal interruption and loss.

The **Small Business Administration (SBA)** provides assistance to businesses of all sizes. Apply online at http://www.sba.gov/disaster_recov/. Low-interest loans are available. The length of a loan depends on one's ability to repay it. Do not wait until your insurance company settles; file for Business Disaster Assistance before the deadline. Provide accurate information and complete the entire online form to avoid delays in payment. Decisions usually are made within 7 to 21 days, though later applications may take longer.

To apply, the business owner will need federal income tax information, a short history of the business, personal financial statements, and business financial statements.

There are two types of assistance from the SBA—Physical Disaster Loans and Economic Injury Disaster Loans.

Physical Disaster Loans of up to \$1.5 million are available to repair or replace damaged real estate, equipment, fixtures and inventory. Increases of 20 percent are possible to protect against future disasters of the same type. Both uninsured and under-insured losses are covered. Be aware

that the loan covers pre-disaster restoration, not upgrades to the business, unless city/county codes require it. Credit availability is a consideration in the amount to be financed.

Economic Injury Disaster Loans cover up to \$1.5 million in financial loss if a business owner is unable to pay bills because of a disaster. The loan provides operating funds until the business recovers. With the application, the SBA requires a financial statement for each person in a partnership, each officer or director, and each stockholder with 20 percent or more ownership. A business may be eligible for a loan if the volume of receivables or sales is reduced by a disaster, or if the business is unable to make payments on its debt.

For more information about assistance from the SBA, call 1-800-659-2955 or email answerdesk@sba.gov.

If you have **business insurance**, file your claim with your insurer. Have your policy number in hand. Know when, how and where the damage occurred. Have the business structure inspected by a structural engineer and contractor. Remember that you are liable for the safety of employees and customers should you reopen the business in an unsafe structure. Ask your insurer what coverage you currently have, whether you need to relocate the business or make temporary repairs, when you will be contacted by an insurance adjuster, what you need to do to document the claim, whether you should begin an inventory, and how soon you can expect the claim to be paid.

Whether you have insurance or not, file a claim with the SBA first. The Texas Department of Insurance Consumer help line (1-800-252-3439) is open 7 days a week from 8 a.m. to 7 p.m. The TDI Web site is www.tdi.state.tx.us.

Replacing Lost Income

Benefits for Disaster Unemployment Assistance (DUA) are available through the Texas Workforce Commission to persons (including the self-employed) who have lost all or part of their livelihood because of a disaster. Before you can apply for DUA you must be declared ineligible for regular unemployment assistance.

Apply for DUA online at www.texasworkforce.org or by calling 1-800-939-6631. Be aware of the deadline for applying.

Tax Relief

After some disasters, large and small businesses are allowed to claim a tax deduction and an exemption from employment taxes if they donate the value of employees' unused leave and vacation time to disaster-related charities. For more information contact <http://www.irs.gov/>.

The IRS also sometimes extends the deadline for filing tax returns, paying taxes, and other time-sensitive actions for persons affected by disasters. The extension to file and pay does not apply to information returns in the W-2, 1098, 1099 or 5498 series, to Forms 1042-S or 8027, or to certain employment and excise tax deposits.

For information related to a specific disaster, call the IRS Disaster Hotline at 1-866-562-5227.

Care Services and Businesses

After Hurricane Rita in 2005, the Texas Department of Family and Protective Services established a toll-free, 24-hour telephone number that **Texas foster care parents, licensed child care providers, kinship and relative caregivers** could call to report their evacuation location. The number is 1-800-233-3405.

Rebuilding the Business: What are the choices?

Assess damage: Decide who will be responsible for assessing damage. That person should decide whether the facility is salvageable, whether lost or damaged equipment can be replaced, and what major repairs need to be done. The assessment should record all damaged or lost property, repairs and replacements needed, the estimated time needed for replacements and repairs, and the current status of replacements and repairs. Then you will need to determine whether contractors are available, whether utilities are working, and whether you can relocate the business if necessary. Give a copy of your assessment to your insurance company and any assistance programs to which you apply.

Business interruption plan: If you have one, begin to implement your business interruption

plan to minimize the loss of jobs and business activities that result in lost revenue.

Employees: Communicate with employees. Let them know whether they still have jobs and when the business will reopen. If possible, provide assistance to employees and their families.

Business records and inventory: If possible, find your back-up business records (paper, disk, DVD or other). Locate contact information for employees, lenders, and alternate vendors for supplies and equipment the business needs to reopen. Locate copies of invoice records.

Customers: It is important to know where your customers are. Are they local or distant? Can they contact you by phone, fax or e-mail? They may not have been involved in the disaster. Where will they go to buy the supplies and services you provided? Can you contact them with information on the status of their orders or the future of your business? Will you retain those customers or have to start over?

Finances: Avoid using your family or life savings to restore the business. Seek SBA loans or other low-interest loans. If possible, avoid borrowing from organizations that require your home or other assets as collateral; consider your options. The Public Entity Risk Institute (<http://www.riskinstitute.org>) is a good source of help for small business owners who must make such decisions after a disaster. You do not want to lose both your savings and your business!

When assessing your business options, remember that your loss affects not only your business, but also your family, your employees, your customers and your community.

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