

14.3: Disaster Assistance

Learning Objectives

1. Learn about the sources of disaster assistance for the physical and/or economic losses of small business.

Do not assume that all small businesses will qualify for disaster loan assistance or that insurance will cover the costs of all losses. A small business owner may have to depend on other forms of financial assistance—for example, savings, friends, and family. Darrell Zahorsky, “Disaster Recovery Decision Making for Small Business,” *About.com*, accessed February 6, 2012, sbinformation.about.com/od/disastermanagement/a/disasterrecover.htm. However, if a small business has sustained economic injury after a disaster, it may be eligible for financial assistance from the Small Business Administration (SBA). If a business is located in a declared disaster area, the owner may apply for a long-term, low-interest loan to repair or replace damaged property. “Disaster Assistance For Businesses of All Sizes,” *US Small Business Administration*, accessed February 28, 2012, archive.sba.gov/idc/groups/public/documents/sba_homepage/serv_da_dprep_factsheethome.pdf.

Physical and Economic Injury Disaster Loans

In the case of a physical disaster, a small business owner may apply for a low-interest SBA loan of up to \$2 million to repair or replace damaged real estate, equipment, inventory, and fixtures: “The loan may be increased by as much as 20 percent of the total amount of disaster damage to real estate and/or leasehold improvements, as verified by SBA, to protect property against future disasters of the same type. These loans will cover uninsured and or under-insured losses.” “Disaster Assistance For Businesses of All Sizes,” *US Small Business Administration*, accessed February 28, 2012, archive.sba.gov/idc/groups/public/documents/sba_homepage/serv_da_dprep_factsheethome.pdf. It is also possible that small business disaster relief loans may be available at the local, county, regional, or state level. See, for example, the small business loans that are available through the Union County Economic Development Corporation (Union, New Jersey) for disaster assistance: scotchplains.patch.com/articles/union-county-makes-small-business-loans-available.

The SBA can also help small businesses that were not damaged physically but have suffered economically. “Demand Grows for Disaster Loans,” *Wall Street Journal*, September 7, 2011, accessed February 6, 2012, blogs.wsj.com/in-charge/2011/09/07/demand-grows-for-disaster-loans/?mod=google_news_blog. An Economic Injury Disaster Loan of up to \$2 million can be granted to meet necessary financial obligations—expenses the business would have paid if the disaster had not occurred.

The interest rate on both Physical and Economic Injury Disaster Loans will not exceed 4 percent if you do not have credit available elsewhere. Repayment can be up to 30 years, but this will depend on the business’s ability to repay the loan. For businesses that may have credit available elsewhere, the interest rate will not exceed 8 percent. SBA determines whether the applicant has credit available elsewhere. “Disaster Assistance For Businesses of All Sizes,” *US Small Business Administration*, accessed February 28, 2012, archive.sba.gov/idc/groups/public/documents/sba_homepage/serv_da_dprep_factsheethome.pdf.

Disaster Assistance from the Internal Revenue Service

The Internal Revenue Service (IRS) provides some disaster assistance and emergency relief for businesses through special tax law provisions, especially when the federal government declares their location to be a major disaster area. The IRS may grant additional time to file returns and pay taxes. While doing disaster planning, check the latest special tax law provisions that may help a business recover financially from the impact of a major disaster. “Disaster Assistance and Emergency Relief for Individuals and Businesses,” *Internal Revenue Service*, accessed February 6, 2012, www.irs.gov/businesses/small/article/0,,id=156138,00.html. It would also be a good idea to check out what kind of record keeping the IRS requires so that a business will be fully prepared should it be necessary to take advantage of what the IRS offers.

SCORE Business Advice

Disaster recovery will push the limits of a small business...and then some. Locate the closest offices of **SCORE (Service Corps of Retired Executives)**—a nonprofit association dedicated to educating entrepreneurs and helping small businesses start, grow, and succeed nationwide—and enlist their support. [SCORE](http://www.score.org) provides confidential business counseling services at no charge. “About SCORE,” *SCORE*, accessed February 6, 2012, www.score.org/about-score.

Online Disaster Assistance

DisasterAssistance.gov is a one-stop web portal, self-described as access to disaster help and resources, that details over sixty different forms of assistance from seventeen US government agencies where a business owner can apply for SBA loans through online applications, receive referral information on forms of assistance that do not have online applications, or check the progress and status of online applications. “Disaster Assistance and Emergency Relief for Individuals and Businesses,” *Internal Revenue Service*, accessed February 6, 2012, www.irs.gov/businesses/small/article/0,,id=156138,00.html; “What Is DisasterAssistance.gov,” *DisasterAssistance.gov*, accessed February 6, 2012, www.disasterassistance.gov.

Benefits.gov wants to let survivors and disaster relief workers know about the many disaster relief programs that are available. There are questions for a small business owner who has suffered damage because of a natural disaster to answer to find out which government benefits the business may be eligible to receive. The site also provides a link to DisasterAssistance.gov. “Disaster Assistance and Emergency Relief for Individuals and Businesses,” *Internal Revenue Service*, accessed February 6, 2012, www.irs.gov/businesses/small/article/0,,id=156138,00.html; “Looking for Benefits?,” accessed February 6, 2012, www.benefits.gov.

KEY TAKEAWAYS

- Do not assume that a small business will qualify for disaster loan assistance or that insurance will cover the costs of all losses. A small business owner may have to depend on others for financial assistance—for example, friends, family, and savings.
- A small business owner may apply for a low-interest SBA loan of up to \$2 million to repair or replace damaged real estate. The interest rate on this loan will not exceed 4 percent if credit is not available elsewhere.
- The SBA also provides financial assistance to small businesses that were not damaged physically but suffered economic losses. The interest rate on this loan will also not exceed 4 percent if the business does not have credit available elsewhere.
- The IRS provides disaster assistance and emergency relief through special tax provisions.
- It would be worthwhile checking out SCORE for assistance.
- Online disaster assistance is available through two website portals: DisasterAssistance.gov and Benefits.gov.

EXERCISE

1. As part of the disaster management plan, Robert has asked the student team to prepare a specific plan for obtaining disaster assistance under the assumption that both physical and economic damages will occur. Review the various options and the material from the previous section in this chapter and then make specific recommendations. It is expected that you will go beyond the information presented in the text.

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