



## Disaster Recovery for Small Business

**Business Property Insurance:** If you have some form of casualty insurance on property and equipment used in your business, contact your insurance company or agent as soon as possible to notify them of losses to your covered business property. Photograph or videotape the damage to your business and space where it operates, as well as damage to your records, inventory, equipment, and any other loss.

**Commercial Lease:** Notify the landlord as soon as possible *in writing* if your leased property is damaged and if your business was shut down as a result of disaster. Review your lease to determine whether it terminates or if there is a provision for rent reduction during a business interruption. If your lease doesn't provide for temporary rent reduction, try to negotiate one with your landlord.

**Contractual Obligations:** As a small business owner, you may have ongoing business obligations to vendors, suppliers and customers while your business operations are interrupted. Whether your obligations may be suspended or terminated depends on the terms of the contract between you and those with whom you do business. Start by reviewing the contract.

**Federal Income Tax:** Business owners who suffer damage or loss to their property or business due to a natural disaster are eligible for special federal income tax provisions. These provisions fall into two categories: casualty loss deductions and deferral of casualty gains. The IRS has workbooks for businesses ([Publication 584-B, Business Casualty, Disaster, and Theft Loss Workbook](#)) to help you compile a room-by-room list of your business equipment, which will help you recall and prove the market value of items for insurance and casualty loss claims. More IRS info at [www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Disaster-Assistance-and-Emergency-Relief-for-Individuals-and-Businesses-1](http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Disaster-Assistance-and-Emergency-Relief-for-Individuals-and-Businesses-1)

**Employee pay and health benefits:** Texas employees must receive their regularly scheduled pay. If the business closes and an employee is involuntarily terminated or laid off, the employee must receive their last paycheck within six days of the termination or layoff. A business shutdown may trigger the cancellation of employee group health insurance coverage. Employers are obligated to send notices to former employees advising them of their right to health insurance conversion under a federal law known as "COBRA."

**Federal Disaster Unemployment Assistance (DUA):** DUA is a federal program that provides financial help to those who become unemployed as a direct result of a *federally declared disaster*. DUA covers the self-employed, including small business owners, owners of farms and ranches, and others not eligible for unemployment insurance. DUA is available for up to 26 weeks. Apply at [www.twc.state.tx.us/jobseekers/disaster-unemployment-assistance](http://www.twc.state.tx.us/jobseekers/disaster-unemployment-assistance). You must prove self-employment by providing:

1. Federal income tax form 1040
2. Schedule C, F, or SE federal income tax returns for the most recent tax year
3. One of the following to prove the existence of the business:
  - Property titles, deeds, or rental agreement for the place of business
  - Recent business bank, phone, utility statement or insurance bill
  - Recent sales tax return
  - You have the right to appeal the denial of benefits.

**Disaster Assistance from the Small Business Administration:** If you are affected by a federally-declared disaster, you may be eligible for disaster assistance from the Small Business Administration (SBA). For info and applications for SBA assistance, go to [www.sba.gov/category/navigation-structure/loans-grants/small-business-loans/disaster-loans](http://www.sba.gov/category/navigation-structure/loans-grants/small-business-loans/disaster-loans). Farmers and ranchers with disaster-related losses may be eligible for assistance from the US Department of Agriculture, [www.fsa.usda.gov/programs-and-services/disaster-assistance-program/index](http://www.fsa.usda.gov/programs-and-services/disaster-assistance-program/index).

**Bankruptcy:** If your business is failing as a result of disaster, business bankruptcy is one alternative. Whether bankruptcy is the right choice depends on many factors, including whether you or others may also be personally liable for business debts. Visit the SBA at [www.sba.gov/blogs/bankruptcy-options-small-business-owner](http://www.sba.gov/blogs/bankruptcy-options-small-business-owner).

**Federal Emergency Management Agency (FEMA):** Following a federal disaster declaration, business owners and residents in the affected areas can begin the disaster application process by registering online with FEMA at [www.fema.gov](http://www.fema.gov), or calling 800-621-FEMA (3362).