

The Paycheck Protection Program (PPP)/ Coronavirus Aid, Relief, and Economic Security Act (CARES)

<https://home.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses>

The Paycheck Protection Program (PPP)/Coronavirus Aid, Relief, and Economic Security Act (CARES) is a program intended to provide small businesses with eight (8) weeks of cash flow assistance through 100% federally guaranteed loans.

When to Apply

Starting April 3, 2020, small businesses and sole proprietorships can apply. Starting April 10, 2020, independent contractors and self-employed individuals can apply. We encourage you to apply as quickly as you can because there is a funding cap.

How to Apply:

Loans will be made through eligible FDIC lenders. Now that CARES Act is a law, the SBA will give loan guidelines to the banks. The banks will then prepare their loan application process. Even though the application period for this loan runs through June 30, 2020, it is recommended any application be submitted as soon as possible in case the funds are limited.

Do the following now:

- Reach out to your banking contacts ASAP to indicate your interest in applying.
- The loans will be administered by the banks on behalf of the Federal government through the SBA's 7(a) loan program.
- We are concerned that the banks may get flooded with requests in the next few days but will hopefully attempt to service their existing client relationships first.
- The banks do not have the applications available yet, but we expect they will in the next few days.
- Organize your payroll records for the past 12 months. This will be one of the most critical parts of the application process, but we do not yet know what specific information will be requested.
- We expect more information to be available in the coming days, as this is an evolving story.

Program Highlights:

The funding is meant to help retain workers, maintain payroll, and cover rent, mortgage, and utility expenses.

- The loan can be forgiven and essentially turn into a non-taxable grant.
- The loan covers expenses dating back to February 15, 2020, to June 30, 2020.
- There is no cost to apply.

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Do I Qualify for The Program?

Small businesses with 500 or fewer employees during the “covered period” – February 15, 2020, through June 30, 2020, are eligible.

- Independent contractors will need to submit Form 1099-MISC.
- Self-employed individuals will need to submit payroll tax filings reported to the IRS.
- Small businesses, sole proprietorships, independent contractors, and self-employed individuals can all qualify.
- Sole proprietorships will need to submit schedules from their tax return filed (or to be filed), showing income and expenses from the sole proprietorship.

How Much Funding Can I Receive?

- The SBA will ask you to provide documentation on your business’s payroll, mortgage, rent, and utility payments over the previous 12month period. They will calculate the monthly average cost of those expenses. The maximum amount they can offer is 2.5 times your business’s monthly average cost, but no more than \$10 million.
- If you are a seasonal employer, the monthly average cost will be calculated differently. The SBA will use a 12-week period beginning either February 15, 2019, or March 1, 2019, and ending June 30, 2019.
- If your business did not exist before June 30, 2019, the SBA would look at your costs in January 2020 and February 2020.
- If you receive a loan under the Paycheck Protection Program, you may no longer be eligible for an EIDL SBA loan for the same purpose of covering payroll.

Other Key Points:

- A personal guarantee is not required for the loan.
- Loans are nonrecourse to the company unless the proceeds are used for an unauthorized purpose.
- The lender will not consider that the borrower sought and was unable to obtain credit elsewhere.
- No collateral is required for the loan.
- Loan forgiveness is not taxable.
- Loan forgiveness may not be combined with the Payroll Tax Deferral.
- Employer Retention Credit is not available to employers who receive a Paycheck Protection Program loan (“PPP”).

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Other Key Points(continued):

- Also available for self-employed individuals.
- Employee count is calculated per location for businesses in the hospitality and restaurant industries and certain others.
- Good faith certification required. Businesses cannot get both Economic Injury Disaster Loan (“EIDL”) and PPP loans at the same time.

Other Key Points(continued):

You can apply for the EIDL loan now and the PPP loan when it becomes available. If you qualify and accept the EIDL loan, and you subsequently qualify for the PPP loan, you can refinance the EIDL loan with the PPP loan, OR you can apply for both loans and decide which one you take if you qualify for both. Loans are limited to one per Taxpayer Identification Number.

What Can I Pay with These Funds?

You must acknowledge that the funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments, and utility payments. Funds you use for other purposes will not be eligible for forgiveness. The funds can be used for:

- Payroll and commission payments.
- Group health care benefits/insurance premiums.
- Mortgage, rent, and/or lease payments.
- Utilities.
- Interest on any other debt obligations incurred before the covered period.

How Can I Get My Loan Forgiven?

In the eight (8) weeks following your loan signing date, all expenses related to the following can be forgiven:

- Payroll: Salary, wage, vacation, parental, family, medical, or sick leave, health benefits.
- Mortgage interest: If the mortgage was signed before February 15, 2020.
- Rent: If the lease agreement was in effect before February 15, 2020.
- Utilities: If service began before February 15, 2020.

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The Documentation:

When submitting your application for loan forgiveness, you must provide the following documentation (no exceptions):

1. Documentation verifying the number of full-time equivalent employees on payroll and pay rates for the periods described in subsection (d), including:
 - Payroll tax filings reported to the IRS.
 - State income, payroll, and unemployment insurance filings.
2. Documentation to prove your mortgage, lease, or utility payments
 - Canceled checks.
 - Payment receipts.
 - Account statements.
3. Certification from a representative of the eligible recipient authorized to make such certifications that:
 - The documentation presented is true and correct.
 - The amount for which forgiveness is requested was used to retain employees, make interest payments on a covered mortgage obligation, make payments on a covered rent obligation, or make covered utility payments; and
4. Any other documentation your Administrator determines necessary.
 - The lender must decide within 60 days of your forgiveness application submission.

What Are the Conditions for Loan Forgiveness?

The purpose of the Paycheck Protection Program is to keep your business operating. You must commit to maintaining an average monthly number of full-time equivalent employees equal or above the average monthly number of full-time equivalent employees during the previous 1-year period.

The amount that can be forgiven will be reduced:

- In proportion to any reduction in the number of employees retained.
- If any wages were reduced by more than 25%.
- If you rehire employees who were previously laid off at the beginning of the period or restore any decreases in wage or salary that were made at the beginning of the period, you will not be penalized for having a reduction in employees or wages, as long as you do this by June 30, 2020.