

Loans Under the Paycheck Protection Program (PPP)

In late March 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which allocated nearly \$350 billion to help small businesses keep their employees working and paid through forgivable loans. After funding ran out, an additional \$310 billion was approved for the program in late April.

First steps to apply for a loan

- Contact your bank
 - Make sure they are participating
 - Participating banks are only making loans to current customers
 - Get data requirements from the bank
 - Ask the bank if they require supplemental data/forms
- Go to the U.S. Treasury website for the loan application and other relevant information:
 - <https://home.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses>

Types of entities that qualify:

- Small business with less than 500 employees *
- Sole proprietor
- Independent contractor
- Self-employed individual

*There are limited exceptions. For more information, visit [sba.gov](https://www.sba.gov).

How to calculate your loan amount:

- The loan amount is based on 2.5 x average monthly payroll, not to exceed \$10 million.
- Included costs:
 - Start with 2019 full-year payroll by employee.
 - Include all types of pay: salary, wages, commission, tip, vacation, sick, etc.
 - For any employee with over \$100,000 in earnings, limit the amount to \$100,000
 - Add payments for retirement benefits (401(k) match, etc.) for calendar year 2019
 - Add employer-side state and local income taxes for calendar year 2019
 - Add employer portion of employee insurance premiums for calendar year 2019
- Excluded costs:
 - Compensation per employee in excess of \$100,000
 - Federal and state employee-side payroll taxes (FICA, Medicare) and income tax withholding
 - Wages for which credits are allowed under Section 7001 of the Families First Act (be sure to ask for guidance on this).

This information is general in nature and may not be applicable to all groups. It does not constitute professional, legal, tax or medical advice. For any of the aforementioned advice, you should consult with your professional, legal, tax or medical advisers.

PPP loan can be forgiven:

- If used for qualified expenses during the eight weeks following loan origination.
- What are qualified expenses:
 - Payroll costs (as defined above in loan calculation)
 - Interest on mortgage obligations
 - Rent
 - Utilities (electricity, gas, water, telephone, internet, etc.)
- At least 75% of proceeds used to pay payroll costs (as defined above in loan calculation)
- **Forgiveness can be reduced** if there is a reduction of greater than 25% in wages paid to employees.
 - Based on FTEs
 - Based on rate reductions
 - Can reduce rates of employees making over \$100,000 more than 25% in certain instances without reducing debt forgiveness

Miscellaneous items:

- Employees that have already been furloughed can be rehired
- Rules are changing quickly – keep looking at Treasury website and talking to your bankers
- Some banks are requiring information in addition to what is stated on Treasury website – check with **your** bank
- Be prepared to give bank a copy of:
 - Calculation spreadsheet with wage information **by employee**
 - 2019 forms 940/941
 - Payroll register for pay period that included 2/15/2020 (to verify company was in existence on that date)
- Owner will have to make a number of certifications, particularly that the entity was harmed or is expected to be harmed as a result of the current environment
- You can only take one PPP loan
- No personal guarantee required
- No collateral required
- No need to document whether you are eligible to obtain debt elsewhere

Source: sba.gov

