

Paycheck Protection Program

Who is qualified to apply?

A small business, with fewer than 500 employees who reside in the United States, or a business that operates in a specified industry and meet the size standards for that industry can apply for a PPP loan. Applicants must also have a “small business concern” or be a tax-exempt non-profit organization **AND** were in business on February 15, 2020 and had employees who were paid salaries and payroll taxes or paid independent contractors. A “small business concern” can mean that the current economic uncertainty makes the loan request necessary and that the funds will be used to retain workers and payroll costs. The borrower will be required to certify as much in their application.

Independent contractors and sole proprietors may also be eligible if they were in operation on February 15, 2020. These borrowers would need to provide the necessary documentation, such as payroll records, tax filings, and income and expense documents.

How much can be borrowed?

The following formula will determine the maximum amount that can be borrowed.

$$\left(\frac{\text{Aggregate of pay roll costs (12 Months)} - \text{Compensation paid to employee over \$100,000}}{12} \right) \times 2.5$$

This formula does not take into consideration any other Economic Injury Disaster Loan that borrowers have received between January 31, 2020, until April 3, 2020. If any EIDL's have been made, the amount will be added to the total above, less any amount advanced to the borrower. This total will give the maximum amount that can be borrowed for the company.

What is a “payroll cost”?

Seventy-five percent of the loan must go to payroll costs. But what is a payroll cost? Payroll costs consist of compensation to employees. These can be in the form of the following: 1) salary, 2) wages, 3) commissions, 4) cash tips, 5) payment for vacation, parental, family, medical, or sick leave, 6) allowance for separation or dismissal, 7) payment for the provision of employee benefits consisting of group health coverage, including premiums and retirement, 8) state and local taxes on employee compensation, and 9) wage, commission, income, or net earnings for independent contractor and sole proprietors.

Payroll costs do not include: 1) compensation for an employee whose principal place of residence is outside the United States, 2) compensation of an employee earning more than \$100,000 annually, 3) federal employment taxes imposed or withheld between February 15, 2020, and June 30, 2020, or 4) qualified sick and family leave wages which are eligible for credit under Families First Coronavirus Response Act, sections 7001 and 7003.

What is the interest rate?

The interest rate on a PPP loan is 100 basis points or 1%. The loan will mature at two years and a maximum maturity of ten years if the borrower applies for loan forgiveness. A business owner can only apply for one PPP loan. Repayments will not begin until six months after the loan distribution, but interest will accrue during those months.

How can I get loan forgiveness?

Qualifying loans are subject to forgiveness and up to the full principal amount of the loan. To qualify for loan forgiveness will depend on whether the loan proceeds are used for a forgivable purpose and whether compensation levels are maintained.

How do I apply?

All applicants must submit SBA Forms 2483 and 2484. Along with the forms, the SBA requires payroll documentation to be used in the calculation of the maximum amount able to be loaned. The applicant must verify the number of full-time employees and the payroll costs associated with the business. Furthermore, the applicant must certify that they have not, nor will they receive another loan under this program before December 31, 2020. Borrowers do not need to provide collateral to receive the loan, nor will personal guarantees be required. There will be no up-front guarantee fees, no lender’s annual service fee, no subsidy recoupment fee; nor, fees payable to SBA for any guarantee sold into the secondary market.

Once I have my loan, for which costs may I apply the money?

Once the borrower has the loan, the borrower may use the loan for the following business costs: 1) payroll costs, 2) cost related to the continuation of health insurance, 3) mortgage interest payments, 4) rent payments, 5) utility payments, 6) interest on debts incurred before February 15, 2020, 7) refinancing an SBA EIDL loan made between January 31, 2020, and April 3, 2020. This loan may not be used to make mortgage payments. Remember, 75% of the loan proceeds must go to payroll costs.