



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

Enacted to provide immediate assistance to individuals, families, and businesses affected by the COVID-19 emergency. Part of this legislation is the Paycheck Protection Program, or PPP.

Paycheck Protection Program

**PPP is a small business forgivable loan to help cover certain eligible expenses. It is designed to keep employees on payroll and help businesses stay current on mortgage interest, rent, leases, and utilities.

- \$349 million appropriated
- Administered by the Small Business Administration
- You must apply for the loan at your lending institution (if they are participating). **Apply ASAP!**
- Applications began on April 3, 2020 for business with employees.
- Must have less than 500 employees and be located in the US
- Must have been in business on February 15, 2020
- You can only apply for one loan. If you have multiple businesses, you will want to pick the one with the greatest payroll.
- Businesses with no employees are eligible to apply
 - Sole proprietors, independent contractors, and self-employed individuals can apply, even if you do not have any employees. However, the application period starts on April 10, 2020. Eligible expenses include wages, commissions, income, or net income from self-employment.
- How much are you eligible for?**
 1. Total payroll costs from the last 12 months
 - Minus pay to one employee of greater than \$100,000 or amounts paid to independent contractors or sole proprietors of greater than \$100,000
 2. Total payroll costs / 12 months = Monthly Payroll Costs
 3. Monthly Payroll Costs * 2.5 = Amount of the Loan
 4. For example:
 - \$120,000 payroll / 12 = \$10,000 Monthly Payroll Costs
 - \$10,000 * 2.5 = \$25,000 Maximum Loan
- Payroll Calculations**
 - *What is included:* Payroll can be salary, wages, tips, and commissions. It also includes family or sick leave, health insurance premiums, group health care coverage, retirement contributions, and all federal/state/local employment taxes, including FICA and income taxes.
 - *What is excluded:* Salary/wages to one employee in excess of \$100,000. Benefits are excluded from this calculation cap.



□ **Loan Terms**

- Interest rate is 1.00%
- Matures in two years, however, payments do not start for six months after the date of the loan disbursement and can be extended to one year. Interest will accrue during the deferment period.
- Maximum loan amount is \$10 million
- No collateral is required
- No personal guarantees are required
- No fees for the borrower

□ **What can be forgiven?**

- The whole loan can be if you use the money for:
 - Payroll at the same level as you were before February 15. 75% of the loan must be used for this. Must maintain or rehire the same number of employees. If payroll or number of employees decreases, the amount of forgiveness will decrease.
 - Paying mortgage interest payments, rent or lease payments, utility bills, and any other interest payments made before February 15, 2020. Less than 25% of the loan can be used for these expenses.
 - Expenses must be incurred for the 8 weeks after the disbursement of loan funds.

□ **Forms needed:**

- Application form (SBA Form 2483)
- Lender must also submit an application (SBA Form 2484)

□ **What do you need?**

- Application Form
- 2019 Payroll information
 - Payroll processing records or reports detailing twelve months of compensation
 - Payroll tax filings (W2s and W3 info)
 - Annual or Quarterly payroll tax filings
 - Proof of Payroll on or just before 2/15/2020 proving you still had employees in February
 - Documentation verifying the number of employees on payroll
 - Documentation of payments made for health care benefits and retirement benefits
 - Form 1099-Misc
 - Income and expense report for a sole proprietor or independent contractor

A second option is Section 2302 – Payroll tax deferment option

- Defers payroll taxes from March 2020 to December 31, 2020.
- Half is due December 31, 2021 and half is due December 31, 2022.
- You cannot participate in both the PPP and this deferment. For most businesses, the PPP is a much better program than this option.