

CARES ACT

PPP Update



WHO IS ELIGIBLE

- Businesses in operation on or before February 15, 2020 with 500 or fewer employees (cannot include independent contractors)
- Non-profits 501c3 and 501c9 and faith-based organizations
- Sole proprietors, independent contractors
- Must have paid salaries and payroll taxes (W2s issued and 941 tax returns)
- Affiliations have separate rules
- **Loan applications deadline extended to August 8, 2020**
- **Not eligible if owner was convicted of a felony in the last year**
- **Not eligible if owner was convicted of a felony involving fraud, bribery, embezzlement or a false statement on a loan application in the last five (5) years**



LOAN AMOUNT

- 2.5 average monthly payroll in 2019 with maximum amount of \$10 million
- Seasonal businesses and businesses not in operation 2/15/19 to 6/30/19 are subject to a different measurement period.
- Monthly Payroll includes wages, tips, bonuses, commissions, group health benefits, retirement benefits and employer paid State & Local taxes (including State Unemployment). Excludes compensation in excess of \$100K only - you can include benefits to the \$100K compensation for an individual.
- The covered period includes 24 weeks from date of PPP loan disbursement or December 31, 2020



PURPOSE

- A minimum of 60% of forgivable funds must be used on payroll costs with a maximum of 40% used on non-payroll costs
- Mortgage interest (not principal or prepayments)
- Rent payments
- Utility payments (Power, Gas, Water and Telecommunications)
- Interest payments on any other debt incurred before 2/15/20
- Refinancing of SBA EIDL made between 1/31/20 and 4/3/20





Collateral/Guarantee

None , Guaranteed by SBA

Interest Rate

Fixed 1%, No participation or prepayment fees, Principal & interest deferred for 10 months after the last day of the Covered Period or when the SBA remits the loan forgiveness funds to the lender

Term

For loans originated on or after June 5, 2020, 5 years. For loans origination prior to June 5, 2020, borrowers and lenders may mutually agree to extend 2-year loans.



FORGIVENESS

- Up to 100% of both principal and interest if proceeds used on qualifying expenses
- Forgiveness reduced if employee counts or employee wages are reduced; rehire quickly
- Only 40% of loan amount can be used for non-payroll costs
- Reduced by EIDL loan
- Salary or hourly wage reductions or FTE reductions would not reduce forgiveness if restored by December 31, 2020
- FTE reductions would not reduce forgiveness if the borrower can document in good faith
 - The inability to rehire individuals who were employees on February 15, 2020 or the inability to hire similarly qualified employees for unfilled positions by December 31, 2020
 - An inability to return to the same level of business activity as such business was operating before February 15, 2020.



PAYROLL

- Offers borrowers with a biweekly (or more frequent) payroll cycle the option of using an alternative payroll covered period.
- Costs must be EITHER paid during the eight-week covered period OR incurred during the eight-week covered period, and paid on or before the next regular billing date (even if after the end of the covered period).



HOW TO APPLY

Financial institutions and Fintech lenders such as PayPal, Intuit Quickbooks, Square, BlueVine, Credibly, Funding Circle approved by SBA prior to Paycheck Protection Program.

All loans in excess of \$2M will be approved by the SBA.

sba.gov/paycheckprotection/find

Employers can defer payment of FICA from the period of March 27, 2020 through December 31, 2020 - half to be paid in 2021 and the other half paid in 2022.

