

PAYROLL PROTECTION PROGRAM

(4/8/2020)

Sources: ABA teleconference on 3/25/2020
NADCO on 3/26/2020
NACDC on 3/31/2020
SBA Washington DC 4/7/2020

Purpose

Help businesses harmed by COVID-19 between February 15, 2020 and June 30, 2020. The program will be retroactive to February 15, 2020, in order to help bring workers who may have already been laid off back onto payrolls.

Eligible businesses

To be eligible the borrower must have been in business on February 15, 2020, meet the program size standard, as well as signing a certification contained within the Application Form 2834 about being impacted by COVID-19 and retaining jobs.

Size standard

Size standard by industry standard-NAICS Code:

https://www.ecfr.gov/cgibin/textidx?SID=b919ec8f32159d9edaaa36a7eaf6b695&mc=true&node=pt13.1.121&rgn=div5#se13.1.121_1201

Typically an employer of 500 or less

If still uncertain if you are eligible, please double check before giving up

501c3 Non-profits are eligible, non-veteran

Eligible banks

Program delivered through Local Bank/SBA 7a Program. ALL SBA 7a eligible lenders.

Proposed loan amount

1-month payroll (based on 12-month average for 2019 x 2.5 = loan amount)

Seasonal based on 1-month payroll (based on 4.5-month average of February 15-June 30, 2019) x 2.5 = loan amount

Start-ups would be based on 2-month average of January 1-February 29, 2020

Note(1): Bottom of page 2 of Form 2483 Borrower Application outlines lender will use tax documents to calculate eligible loan amount, which would be 2019 federal tax return or W-3.

If this is not available, use 2018 federal tax return or W-3.

Bank may also accept number of employees on payroll and pay rates including IRS payroll tax filings and State income, payroll and unemployment insurance filings.

Note (2): If business payroll including single employee or officer compensation includes compensation over the \$100,000 cap, then the excess should be netted out of 1-month average payroll calculation.

Maximum loan amount

\$10 million

Use of loan proceeds

Payroll costs, continuation of group health insurance, interest on mortgage obligation (not including any prepayments), rent (under formal written lease agreement), and utilities

Payroll costs consist of compensation to employees (whose principal place of residence is the United States) in the form of salary, wages, commissions, or similar compensation; cash tips or the equivalent (based on employer records of past tips or, in the absence of such records, a reasonable, good-faith employer estimate of such tips); payment for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement; payment of state and local taxes assessed on compensation of employees; and for an independent contractor or sole proprietor, wage, commissions, income, or net earnings from self-employment or similar compensation.

Potential loan forgiveness

Loan proceeds used for payroll for an 8- weeks from loan disbursement. More guidance on timeline for rent & mortgage payments, utilities and other eligible items discussed above, which may be from 2/15/2020 through 8-weeks from loan disbursement, should be available by the time the business is required to provide documentation to bank on forgiveness portion of loan.

Potential loan forgiveness on payroll use of proceeds up to 75% of loan amount

Forgiveness of non-payroll use of proceeds is limited to 25% of loan amount

Reduction in payroll/labor force from time of application to 8-week from loan disbursement date will reduce the amount of loan forgiveness the business is eligible for.

Sole proprietors with NO PAYROLL and 1099 workers filing Schedule C will only qualify for 25% forgivable loan equal to similar amount of non-payroll type eligible items discussed above.

Term on Unforgiven Portion of Loan

Repaid over 2-year term, 1% fixed interest rate, repayment: 6-month deferral (interest will accrue), with principal/interest for remaining 18-months, unsecured.

100% guaranty loan

Unsecured

No personal guaranty

No borrower guaranty fee

No lender servicing fee

No fee to borrower

Application Info:

1)Lender verify borrower in operation February 15, 2020

2)SBA Form 2483 – Application Form PPP

a)Average monthly payroll (use calculation above that applies)

b)Number of jobs – FTE, not head count per page 2 certification #3

Note: Based on 40 hour week, i.e. each employee would be .25 FTE, .50 FTE, .75 FTE, or 1 FTE

c)What borrower wants to use funds for (see above for eligible items)

3)Addendum A – Affiliates, if application

Other businesses owned, percentage owned, any common ownership.

4)Addendum B – Details on Approval of SBA EIDL before 4/3/2020

5)Additional Information Worksheet (attached or available from your bank)

Timeline

Available April 3, 2020, for all businesses except 1099 workers filing Schedule C will be eligible to apply April 10th (most will only qualify for 25% forgiveable loan because they have no payroll). Program ends June 30, 2020.

Banks will receive payback on forgiven portion of the loan after verifying and/or providing information to SBA after business provides certifications for payroll and other eligible items after 8-week loan disbursement period.

How does this impact a business that has applied for SBA EIDL? Will they be eligible to apply for both?

YES, but loan proceeds can NOT be used for same thing, i.e. Payroll for 8-week after loan disbursement.

For More Information Contact

Your accountant or local bank.