

PAYCHECK PROTECTION PROGRAM: FAQ





SBA LOANS

PAYCHECK PROTECTION PROGRAM

Frequently Asked Questions



Who is eligible for the Paycheck Protection Program?

- ❖ The Business must be operational as of February 15, 2020 and had employees it paid salaries and payroll taxes, or a paid independent contractor. Sole-proprietors, independent contractors, and other self-employed individuals are eligible for loans.
- ❖ Businesses with no more than 500 employees are eligible Small businesses, or the applicable size standard for the industry as provided by SBA, if higher.



- ❖ 501(c)(3) nonprofit, a 501(c)(19) veteran's organization, or Tribal business concern described in section 31(b)(2)(C) of the Small Business Act with not more than 500 employees are also eligible.
- ❖ Businesses with more than one physical location qualify so long as total combined employees are below 500 employees (unless the businesses operated under NAICS code beginning with 72) or otherwise meet the SBA's size standard based on NAICS code.
- ❖ Affiliation Rules: The program waives affiliation rules for businesses in the hospitality and restaurant industries, franchises that are approved on the SBA's Franchise Directory, and small businesses that receive financing through the Small Business Investment Company (SBIC) program. SBA current affiliation rules applies eligible nonprofits.



How much can I borrow?

The Program allows you to borrow an amount equal to 2.5 time your average eligible monthly payroll costs wages (average is based on prior 12 months),



excluding compensation above \$100,000 in multiplied by 2.5 or \$10 million whichever is less.



Am I responsible for interest on the forgiven loan amount?

No,

if the full principal of the PPP loan is forgiven, the borrower is not responsible for the interest accrued in the 8-week covered period. The remainder of the loan that is not forgiven will operate according to the loan terms agreed upon by you and the lender.

Forgiven debt resulting

will not be included in the borrower's taxable income.

Any loan amounts not

forgiven at the end of one year are carried forward as an ongoing loan with terms of a max of 10 years at 4% interest.



How much of my loan will be forgiven?

The purpose of the Paycheck Protection Program is to help you retain your employees, at their current base pay. If you keep all of your employees, the entirety of the loan will be forgiven. If you still lay off employees, the forgiveness will be reduced by the percent decrease in the number of employees. If your total payroll expenses on workers making less than \$100,000 annually decreases by more than 25 percent, loan forgiveness will be reduced by the same amount. If you have already laid off some employees, you can still be forgiven for the full amount of your payroll cost if you rehire your employees by June 30, 2020.



What is the covered period of the loan?

The covered period during which expenses can be forgiven extends from February 15, 2020 to June 30, 2020. Borrowers can choose which 8 weeks they want to count towards the covered period, which can start as early as February 15, 2020.



When is the loan forgiven?

The loan is forgiven at the end of the 8-week period after you take out the loan.



How can I use the money such that the loan will be forgiven?

The amount of principal that may be forgiven is equal to the sum of expenses for payroll, and existing interest payments on mortgages, rent payments, leases, and utility service agreements. Payroll costs include employee salaries (up to an annual rate of pay of \$100,000), hourly wages and cash tips, paid sick or medical leave, and group health insurance premiums. Borrowers may use the Paycheck Protection Program for other business-related expenses, like inventory, you can, but that portion of the loan will not be forgiven.





How does loan forgiveness work?

The borrower is eligible for loan forgiveness equal to the amount spent by the borrower during an 8-week period after the origination date of the loan.

Borrowers will work with lenders to verify covered expenses and the proper amount of forgiveness.



Do I have to personally guarantee the loan? What other conditions will be applied?

No, personal guarantee will be required. No collateral is required. SBAs “credit elsewhere” rule is waived.

Certification Required?

Borrowers are required to make a good faith certification that:

- ❖ the loan is necessary due to the uncertainty of current economic conditions caused by COVID-19



- ❖ they will use the funds to retain workers and maintain payroll, lease, and utility payments
- ❖ and are not receiving duplicative funds for the same uses from another SBA program.



May I defer payment on the loan?

Yes. The program allows a deferment from 6 months to up to a year.



What are the allowable uses of loan proceeds?

Allowable uses of the loan include eligible payroll support (eligible employee salaries which excludes compensation above \$100,000 in wages, paid sick or medical leave, insurance premiums), interest paid on a mortgage (excludes any prepayment of or payment of principal) or rent, and utility payments.



What costs are eligible for payroll?



- ❖ Compensation (salary, wage, commission, or similar compensation, payment of cash tip or equivalent)
- ❖ Payment for vacation, parental, family, medical, or sick leave
- ❖ Allowance for dismissal or separation
- ❖ Payment required for the provisions of group health care benefits, including insurance premiums
- ❖ Payment of any retirement benefit
- ❖ Payment of State or Local tax assessed on the compensation of employees