

# SBA PAYCHECK PROTECTION PROGRAM LOAN

## SMALL BUSINESS GUIDE AND CHECKLIST

The Coronavirus Aid, Relief, and Economic Security (CARES) Act allocated \$350 billion to help small businesses keep workers employed amid the pandemic and economic downturn. Known as the **Paycheck Protection Program**, the initiative provides 100% federally guaranteed loans to small businesses. This program provides small businesses with funds to pay up to 8 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities.

Importantly, these loans will be fully forgiven if borrowers maintain their payrolls during the crisis or restore their payrolls afterward. (due to likely high subscription, at least 75% of the forgiven amount must have been used for payroll)

Please use this guide to help prepare to file for a loan.

**Here are the questions you may be asking—and what you need to know.**

# 1

## WHO CAN APPLY?

### All Small Businesses Eligible

Small businesses with 500 or fewer employees—including nonprofits, veteran's organizations, tribal concerns, self-employed individuals, sole proprietorships, and independent contractors—are eligible. Businesses with more than 500 employees are eligible in certain industries.

**In addition, some special rules may make your eligible:**

- If you are in the accommodation and food services sector (NAICS 72), the 500-employee rule is applied on a per physical location basis

**REMEMBER:** The 500-employee threshold includes all employees: full-time, part-time, and any other status.

# 2

## WILL LOANS BE FULLY FORGIVEN?

Funds are provided in the form of loans that will be fully forgiven when used for payroll costs, interest on mortgages, rent, and utilities (due to likely high subscription, at least 75% of the forgiven amount must have been used for payroll).

Loan payments will also be deferred for six months. No collateral or personal guarantees are required. Neither the government nor lenders will charge small businesses any fees.

### You must keep employees on the payroll-or rehire quickly

Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease.



### WHAT LENDERS WILL NOT LOOK FOR

- That the borrower sought and was unable to obtain credit elsewhere.
- A personal guarantee is not required for the loan.
- No collateral is required for the loan.
- There is no minimum credit score required

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## HOW MUCH CAN I BORROW?

Loans can be up to 2.5 x the borrower's average monthly payroll costs, not to exceed \$10 million.



### HOW DO I CALCULATE MY MONTHLY AVERAGE PAYROLL COST?



### INCLUDED PAYROLL COST

**For Employers:** The sum of payments of any compensation with respect to employees that is a:

- 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 the employee

### EXCLUDED PAYROLL COST

1. Compensation of an individual employee in excess of an annual salary of \$100,000, as prorated for the period February 15, to June 30, 2020
2. Payroll taxes, railroad retirement taxes, and income taxes
3. Any compensation of an employee whose principal place of residence is outside of the United States
4. Qualified sick leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act (Public Law 116-5 127); or qualified family leave wages for which a credit is allowed under section 7003 of the Families First Coronavirus Response Act



### NON SEASONAL EMPLOYERS

Maximum loan = 2.5 x Average total monthly payroll costs incurred during the year prior to the loan date

For businesses not operational in 2019: 2.5 x Average total monthly payroll costs incurred for January and February 2020



### SEASONAL EMPLOYERS

Maximum loan = 2.5 x Average total monthly payments for payroll costs for the 12-week period beginning February 15, 2019 or March 1, 2019 (decided by the loan recipient) and ending June 30, 2019

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# WILL THIS LOAN BE FORGIVEN?

Borrowers are eligible to have their loans forgiven.

## HOW MUCH?

A borrower is eligible for loan forgiveness equal to the amount the borrower spent on the following items during the 8-week period beginning on the date of the origination of the loan:

- Payroll costs (using the same definition of payroll costs used to determine loan eligibility)
- Interest on the mortgage obligation incurred in the ordinary course of business
- Rent on a leasing agreement
- Payments on utilities (electricity, gas, water, transportation, telephone, or internet) For borrowers with tipped employees, additional wages paid to those employees

The loan forgiveness cannot exceed the principal.

## HOW COULD THE FORGIVENESS BE REDUCED?

The amount of loan forgiveness calculated above is reduced if there is a reduction in the number of employees or a reduction of greater than 25% in wages paid to employees. Specifically:



### REDUCTION BASED ON REDUCTION OF NUMBER OF EMPLOYEES

**PAYROLL COSTS**  
(calculated on page 3)

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Average Number of Full-Time Equivalent Employees (FTEs) Per Month for the 8-Weeks Beginning on Loan Origination

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#### Option 1:

Average number of FTEs per month from February 15, 2019 to June 30, 2019

#### Option 2:

Average number of FTEs per month from January 1, 2020 to February 29, 2020

#### For Seasonal Employers:

Average number of FTEs per month from February 15, 2019 to June 30, 2019



### REDUCTION BASED ON REDUCTION OF NUMBER OF EMPLOYEES

**PAYROLL COSTS**  
(calculated on page 3)

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For any employee who did not earn during any pay period in 2019 wages at an annualized rate more than \$100,000, the amount of any reduction in wages that is greater than 25% compared to their most recent full quarter.

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# WHEN CAN I APPLY?

The week of April 6th, 2020, small businesses and sole proprietorships can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders.

Starting April 10, 2020, independent contractors and self-employed individuals can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders.