



Paycheck Protection Program FAQs for Small Businesses

The Coronavirus Economic Recovery Package allocated \$350 billion to the creation of a new loan program, the Paycheck Protection Program (PPP), which will provide 100% federally-guaranteed, forgivable loans (grants) to small businesses who retain their employees or restore employees who were fired after February 15. The loans will have a fixed 0.5% interest rate, a two-year term, and the first payment will be deferred for six months. The Small Business Administration and Treasury Department will soon release guidance and further details about the program. **Secretary Mnuchin expects these loans will begin on Friday (4/3) for small businesses and sole proprietorships, and next Friday (4/10) for independent contractors and self-employed individuals.**

Frequently Asked Questions

What types of businesses and entities are eligible for a Paycheck Protection Program loan?

- Businesses and entities must have been in operation on February 15, 2020.
- Small businesses and (501(c)(3) and 501(c)(19) non-profits with fewer than 500 employees (includes full-time, part-time, or any other status), or **fewer than 500 employees per physical location for franchisees, hospitality, and restaurant businesses**, or the applicable size standard in number of employees for the North American Industry Classification System (NAICS) industry as provided by SBA, if higher.
- Sole proprietorships, independent contractors, gig workers, and self-employed individuals are all eligible.

Where should I go to get a PPP loan?

- You can apply with any lending institution that is a current 7(a) lender. You should start by contacting the local financial institution you already use to see if they are participating. The Department of Treasury over the next few weeks will approve additional bank and non-bank lenders to participate in the program.

What is the maximum amount I can borrow?

- Any small business is eligible to borrow 250 percent of their average monthly payroll expenses, up to a total of \$10 million. This amount is intended to cover 8 weeks of payroll expenses and any additional amounts for making payments towards debt

obligations. **This 8-week period may be applied to any time frame between February 15, 2020 and June 30, 2020.** Seasonal business expenses will be measured using a 12-week period beginning February 15, 2019, or March 1, 2019, whichever the seasonal employer chooses.

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.
- If you would like to use the Paycheck Protection Program for other business-related expenses, like inventory, you can, but that portion of the loan will not be forgiven.

What if I already fired my employees?

- Reductions in employment or wages that occur during the period beginning on February 15, 2020 and ending April 26, 2020 (30 days after date of enactment) shall not reduce the amount of loan forgiveness **if** by June 30, 2020, the borrower eliminates the reduction in employees or reduction in wages.

When is the loan forgiven?

- The loan is forgiven at the end of the 8-week period after you take out the loan. Borrowers will work with lenders to verify covered expenses and the proper amount of forgiveness.

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.

Comparison of EIDL and PPP Loans

Loan Terms	Economic Injury Disaster Loan (EIDL)	Paycheck Protection Program (PPP)
Speed	Applications are currently open	Awaiting guidance from SBA

Process	Apply through SBA website (www.SBA.gov).	To be determined by upcoming SBA guidance, but through qualified 7(a) lenders (banks, credit unions, and certain non-bank lenders).
Amount	Up to \$2 million. Emergency grant of \$10,000 available with application within 3 days of request	2.5x average monthly payroll costs, capped at \$10 million
Interest Rate	3.75% (for profit) 2.75% (non-profit)	0.5% (if not forgiven)
Collateral	No collateral for loans less than \$25,000	No collateral required
Guaranty	Not required for loan less than \$200,000	No guaranty required
Repayment	Amortized principle and interest over up to 30 years	First payment deferred for six months.
Affiliate Rules	A business, cooperative, ESOP or tribal concern with fewer than 500 employees; a sole proprietorship or independent contractor; any business that qualifies based on NAICS code	Modified for hospitality and restaurant businesses to allow measurement per location; otherwise, any small business that qualified based on NAICS code

How do EIDL and PPP work together?

- An applicant cannot “double-dip” and receive duplicate funds for the same losses.
- EIDL loan proceeds may be refinanced into a PPP loan.
- EIDL applications are open and currently available.

Small Business Tax Incentives:

- **Employer Payroll Tax Delay***
 - Employers can defer the 6.2 percent payroll tax due for rest of year until end of 2021, 2022.
 - Congress thinks the net cost of this provision is about \$12.3 billion, although estimates of the amount of extra cash this would provide businesses are much larger (depending on unemployment, about \$732 billion over the next two years).
- **Employee Retention Payroll Tax Credit***

- Certain employers may receive a payroll tax credit of as much as \$5,000 per employee for wages (and health benefits) paid after March 12, 2020, and before January 1, 2021.
- If the credit amount exceeds the employer's liability, the excess shall be refundable. It is estimated that the credit will provide an aggregate benefit of about \$54.6 billion.
- **Technical Correction to Fix 'Retail Glitch'**
 - Businesses can fully deduct the cost of certain property improvements back to 2018.

*Note: the payroll tax delay and employee retention payroll tax credit are not available to employers receiving assistance through the Paycheck Protection Program.