CARES Act Briefing: The Paycheck Protection Program
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RESOURCES

SBA.gov

DEMA.org
DIVE BUSINESS GUIDE TO THE CARES ACT

- The programs and initiatives in the Coronavirus Aid, Relief, and Economic Security (CARES) Act that was signed into law on March 27 is intended to assist business owners with whatever needs they have right now.

- CARES has many new resources available for small businesses, as well as for certain non-profits and other employers.

- These CARES Briefings are information sources to help familiarize you with programs and initiatives that are or soon will be available from the Small Business Administration (SBA). Be sure to stay updated by visiting sba.gov/updates.
To keep up to date on when these Small Business Administration (SBA) programs become available, please stay in contact with your local SBA District Office or SBDC, which you can locate at: www.sba.gov and click on Local Assistance at the top of the page.
OVERVIEW:
PAYCHECK PROTECTION PROGRAM

• This is a loan program through the Small Business Administration (SBA), but under some circumstances the loans would be forgiven.

• The loan is primarily processed through an SBA Lender – check with your bank or credit union to see if they are a 7(a) loan provider through the SBA. SBA also has a free referral service tool called Lender Match to help find a 7(a) lender near you.

• The program provides 100% federally guaranteed loans to employers who maintain their payroll during COVID-19.

• If employers maintain their payroll within the specified time and other parameters, the loans could be forgiven.
OVERVIEW: PAYCHECK PROTECTION PROGRAM

• Forgiveness of up to 8 weeks of payroll based on:
  • Employee retention and salary levels
  • No SBA fees
  • At least six months of deferral with maximum deferrals up to one year.

• To be eligible to apply businesses must show they were harmed by COVID-19 between February 15, 2020 and June 30, 2020.
  • The program is retroactive back to February 15 so small businesses can bring furloughed employees back onto payrolls.
WHAT TYPES OF BUSINESSES ARE ELIGIBLE FOR PPP?

- Businesses and entities must have been in operation on February 15, 2020.
- Almost all for-profit business concerns.
- Some Non-profits are eligible:
  - 501(c)(3) nonprofit organizations.
  - 501(c)(19) veterans’ organizations.
- Tribal business concerns generally with fewer than 500 employees, or the applicable size standard (available on sba.gov), if higher.
WHAT TYPES OF BUSINESSES ARE ELIGIBLE FOR PPP?

• Individuals who operate a sole proprietorship or as an independent contractor.

• Many self-employed individuals.

• Any business concern that employs not more than 500 employees per physical location of the business concern and that is assigned a North American Industry Classification System (NAICS) code beginning with 72.
  • These are generally Hotels (except Casino Hotels) and Motels, Bed-and-Breakfast Inns, Restaurants and other Traveler Accommodations.
  • For purposes of the PPP, business affiliation rules are waived for these businesses.
WHAT TYPES OF BUSINESSES ARE ELIGIBLE FOR PPP?

• Affiliation rules are also waived for any business concern operating as a franchise (those with a franchise identifier code by the Administration), and that receives funding through a Small Business Investment Company.

• Other business affiliation rules can be found on sba.gov. These are important when the SBA is considering if a business is “small.”
WHAT NON-PROFITS ARE ELIGIBLE?

• DEMA has many non-profit members that benefit the environment and other notable causes.

• Generally, 501 c 3 organizations are eligible if they meet the revenue size requirements of the SBA (SBA uses revenue for non-profits, rather than employee number).

• Use the Table of Small Business Size Standards at sba.gov to determine eligibility.
HOW IS PPP LOAN SIZE DETERMINED?

• The maximum loan size is always $10 million.

• If you were in business February 15, 2019 – June 30, 2019: Your max loan is equal to 250 percent (2.5 x) your average monthly payroll costs during that time period.

• Businesses that employ seasonal workers can choose March 1, 2019 as your time period start date.
HOW IS PPP LOAN SIZE DETERMINED?

• If you were not in business between February 15, 2019 – June 30, 2019: Your max loan is equal to 250 percent (2.5 x) your average monthly payroll costs between January 1, 2020 and February 29, 2020.

• If you took out an Economic Injury Disaster Loan (EIDL) between February 15, 2020 and June 30, 2020 and you want to refinance that loan into a PPP loan, you would add the outstanding loan amount to the payroll sum.
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.
WHAT COSTS ARE NOT ELIGIBLE FOR PAYROLL?

• Employee/owner compensation over $100,000
• Taxes imposed or withheld under chapters 21, 22, and 24 of the IRS code (dependent care, care for the elderly, childcare).
• Compensation of employees whose principal place of residence is outside of the U.S.
• Qualified sick and family leave for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act.
WHAT ARE ALLOWABLE USES OF LOAN PROCEEDS?

• Payroll costs
• Costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums
• Employee salaries, commissions, or similar compensations (subject to some exclusions)
• Payments of interest on any mortgage obligation (cannot include any prepayment of or payment of principal on a mortgage obligation)
• Rent (including rent under a lease agreement)
• Utilities
• Interest on any other debt obligations that were incurred before the covered period
WHAT ARE THE LOAN TERMS, INTEREST RATE AND FEES?

• Maximum loan is the lesser of the following options:
  - $10 million, OR
  - The average monthly payroll for the prior 12 months (prior to the loan date, up to $100K salary prorated annually per employee), times 2.5

• This loan has a maturity of 2 years and an interest rate of 1.0%.

• There are NO SBA loan fees

• There are NO SBA prepayment fees

• Loan payments will be deferred for six months.

• NO collateral or personal guarantees are required.

• Neither the government nor lenders will charge small businesses any fees.
HOW IS THE FORGIVENESS AMOUNT CALCULATED?

• Forgiveness on a covered loan is equal to the sum of the following, incurred during the covered 8-week period, compared to the previous year or time period:
  • Eligible payroll costs
  • Any payment of interest on any covered mortgage obligation
  • Any payment on any covered rent obligation
  • Any covered utility payment
HOW IS THE FORGIVENESS AMOUNT CALCULATED?

• Forgiveness does not include any prepayment or payment of principal on a covered mortgage obligation (interest only).

• Forgiveness is proportionate to maintaining employees and wages (excluding any employee compensation over $100,000).
HOW DO I GET FORGIVENESS ON MY PPP LOAN?

• You must apply through a lender (bank, credit union, etc.) for forgiveness on your loan. In that application, you must include:
  • Documentation verifying the number of employees on payroll and pay rates, including IRS payroll tax filings and State income, payroll and unemployment insurance filings.
  • Documentation verifying payments on covered mortgage obligations, lease obligations, and utilities.
  • Certification from a representative of your business or organization that is authorized to certify that the documentation provided is true and that the amount that is being forgiven was used in accordance with the program’s guidelines for use.
HOW DO I GET FORGIVENESS ON MY PPP LOAN?

• The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities (At least 75% of the forgiven amount must have been used for payroll).

• 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 HAPPENS AFTER THE FORGIVENESS PERIOD?

• Any loan amounts not forgiven are carried forward as an ongoing loan.

• This loan has a maturity of 2 years and an interest rate of 1.0%.

• Principal and interest will continue to be deferred, for a total of 6 months (up to a year) after disbursement of the loan. The clock does not start again.
OTHER PPP LOAN INFORMATION

• An entity is limited to one PPP loan. Each loan will be registered under a Taxpayer Identification Number at SBA to prevent multiple loans to the same entity.

• PPP Loans are available from all current SBA 7(a) lenders. The Department of Treasury is in charge of authorizing new lenders, including non-bank lenders, to help meet the needs of small business owners.

• Credit unions and others are now involved in this too.

• Check with your current lender or credit union. If you don’t have one, SBA has a free referral service tool called Lender Match to help find a 7(a) lender near you. See SBA.gov for more information.
OTHER PPP LOAN INFORMATION

• Borrowers may apply for PPP loans AND other SBA financial assistance, including:
  • Economic Injury Disaster Loans (EIDLs)
  • 7(a) loans
  • 504 loans
  • Microloans
  • And may also receive investment capital from Small Business Investment Corporations (SBICs).

• You may not use your PPP loan for the same purpose as your other SBA loan(s). For example, if you use your PPP to cover payroll for the 8-week covered period, you cannot use a different SBA loan product for payroll for those same costs in that period, although you could use it for payroll not during that period or for different workers.
HOW DOES PPP WORK WITH OTHER SBA EMERGENCY PROGRAMS?

• Emergency Economic Injury Grant and Economic Injury Disaster Loan (EIDL) recipients and those who receive loan payment relief through the Small Business Debt Relief Program may apply for and take out a PPP loan.

• There can be no duplication in the uses of funds.
HOW CAN I APPLY FOR A PPP?

• You can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating.

• Other regulated lenders will be available to make these loans once they are approved and enrolled in the program. You should consult with your local lender as to whether it is participating in the program.

• Lenders may begin processing loan applications as of April 3, 2020.
HOW CAN I APPLY FOR A PPP?

• Borrower supplies the following:
  • Application with number of full-time equivalent employees on payroll and other allowable costs
  • Payroll tax filings
  • State income, payroll, and unemployment insurance filings
  • Financial statements verifying payment on debt incurred before February 15, 2020
  • Other documents that may be requested.
READY TO APPLY?

• If you wish to apply you can download the 2-page application form from SBA.gov NOW. If you connect with an SBA 7 (a) lender, you could get this submitted right away.
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Please contact us at info@demaro.org if we can help!
THANK YOU!