Paycheck Protection Program Forgivable Loans

PPP Eligibility

- Small employers in existence on February 15, 2020 and paid payroll taxes on employees or paid independent contractors.
- Small businesses include:
  - Businesses with 500 or fewer employees,
  - Businesses within the SBA small business size threshold,
  - Self-employed individuals (sole-proprietors and independent contractors),
  - Accommodation and food services businesses (NAICS Code 72) with 500 or fewer employees per location.[1]
  - Any business assigned a franchise operator code by SBA, and any business that receives assistance under the Small Business Investment Act.
- All applications must certify:
  - Uncertainty of current economic conditions makes necessary the loan request to support the ongoing operations of the eligible recipient.
  - Acknowledge that funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments, and utility payments.

PPP Uses

- The PPP may be used for the following costs incurred between February 15, 2020 and June 30, 2020.
  - Payroll costs, which includes salary or wages, family and sick leave, allowance for dismissal or separation, healthcare benefits, retirement benefits, payment of state and local taxes assessed on the compensation of an employee, and the sum of payments to an independent contractor.
    - Not included: sick or family leave where a payroll tax credit is already claimed, salaries in excess of $100,000, and compensation of employees outside of the U.S.
  - Payments on a mortgage obligation
  - Rent or lease payments
  - Utilities
  - Interest on any other debt obligations that were incurred before February 15, 2020.
- PPP can only be used on these costs incurred between February 15, 2020 and June 30, 2020.

PPP Loan Forgiveness

- The following costs will be forgiven during the 8-week period after the day the loan is issued.
  - Payroll costs (including everything listed above)
  - Payments on interest of any mortgage obligation (not principal)
  - Rent
  - Utilities

[1] NAICS Code 72 accommodation and food services businesses include traveler accommodation, hotels, casino hotels, bed-and-breakfast inns, RV parks and recreational camps, RV parks and campgrounds, recreational and vacation camps, rooming and boarding houses, special food services, food service contractors, caterers, mobile food services, drinking places, restaurants, cafeterias and buffets, and snack and non-alcoholic beverage bars.

- Forgiveness amount may not exceed principal amount of the loan.
- The amount forgiven will be reduced proportionally by any reduction in employees retained compared to the prior year and reduced by the reduction in pay of any employee beyond 25% of their prior year compensation.
- To encourage employers to rehire any employees who have already been laid off due to the COVID-19 crisis, borrowers that re-hire workers previously laid off will not be penalized for having a reduced payroll at the beginning of the period.
- The program will be available retroactive from Feb. 15, 2020, so employers can rehire their recently laid-off employees through June 30, 2020.
- It is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs

Emergency Grants

- Small businesses applying for an SBA Economic Injury Disaster Loan (EIDL) will be eligible for a $10,000 Emergency Grant to be issued within 3 days of the application being received.
- Applicants must certify under threat of perjury that they believe they are eligible for the Emergency Grant.
- The Emergency Grant award of up to $10,000 may be subtracted from the amount forgiven when an EIDL loan is refinanced into a PPP loan.

PPP Interaction with Previous SBA Loans

- The SBA Administrator has the authority to purchase loans made before the date of enactment of the law and cover payments for up to 6 months for the borrower.
- If an applicant has an SBA loan taken out on or after January 31, 2020, they have the option to refinance the loan into a PPP forgivable loan.

PPP Maximum Size

- Multiply the average total monthly payments for payroll costs incurred during the one-year period before the date the loan was issued by 2.5 *or* $10,000,000.
- The recipient shall receive the lesser of the two.
- For seasonal employers, the average total employees shall be calculated for the period between February 15, 2019 and June 30, 2019.

PPP Payment Deferments

- Payments on principal, interest, and fees will be deferred for 6 months.

PPP Interest Rates

- 0.5%

PPP Loan Maturity

- 2 years.

PPP Collateral

- None, there is no personal/individual guarantee on the loan.
- SBA guarantees 100% of the loan.

PPP Prepayment Penalty

- None, all prepayment penalties are waived.

Where Can I Apply?

- The application form can be found here.
- Submit your application form to any FDIC approved lender participating in the program.
- Be prepared to have payroll documentation ready when preparing your application

When Can I Apply?

- The PPP program opens to businesses and independent contractors on April 3, 2020.
- The PPP program opens to self-employed individuals on April 10, 2020.