

Everything You Need to Know About 2020 Paycheck Protection Program

Paycheck Protection Program

- 1.) Who is eligible for a paycheck protection program loan?
 - a. Business was in operation on 2/15/2020.
 - b. Business had employees for whom the borrower paid salaries and payroll taxes OR paid independent contractors as reported on a form 1099-MISC.
 - c. Had less than 500 employees (full-time, part-time, or other basis). Hospitality and Food Industry (restaurants, hotels, etc.) can be measured per physical location.
 - d. Individuals operating as a sole proprietorship or as an independent contractor.
- 2.) PPP loan application can be completed online at <https://covid19relief.sba.gov/> or a paper form with almost any FDIC bank or FICU credit union (Some banks are saying apply online). The application will ask for:
 - a. Owners names, addresses, and TINs.
 - b. Good faith certification:
 - i. The loan is needed due to the uncertainty of current economic conditions.
 - ii. Acknowledge that the funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments, and utility payments.
 - iii. That the eligible recipient does not have an application pending and has not received amounts for the same purpose and duplicative of amounts applied for or received under a covered loan.
 - c. The loan is nonrecourse against any individual, shareholder, member, or partner UNLESS the funds are used for purposes not authorized.
 - d. No personal guarantee is required.
 - e. No fees will be collected from the applicant.
 - f. Agents (lawyer, accountant, consultant, loan broker, etc.) will submit a fee disclosure form and receive payment from the bank.

- 3.) The amount of the loan can be average monthly payroll for the previous one-year period (or 1/1/2020-2/29/2020 if a new business) times 2.5 months. Payroll costs includes:
- a. Salary, wages, commission, or similar compensation,
 - b. Cash tips or equivalent,
 - c. Vacation, family leave, medical leave,
 - d. Allowance for dismissal or separation,
 - e. Group health benefits including insurance premiums,
 - f. Retirement benefits
 - g. State and local taxes (unemployment taxes),
 - h. For a sole proprietor or independent contractor, the sum of payments of any compensation to or income that is a wage, commission, income, net earnings from self-employment, or similar compensation and that is in an amount not more than \$100,000 per year as prorated for the covered period.
 - i. No compensation of an individual in excess of an annual salary of \$100,000 shall be included.
 - j. No social security and Medicare taxes, railroad retirement or income tax at the source shall be considered.
 - k. No compensation for employee whose principal place of residence is outside the United States shall be considered.
- 4.) Qualifying expenses paid during the 8 weeks following the date of the loan will be forgiven. Qualifying expenses include:
- a. Payroll costs including salaries and wages including vacation and sick pay, and health benefits paid by employer.
 - b. Mortgage interest for loans obtained before 2/15/2020 and interest on any other debt obligation incurred before 2/15/2020.
 - c. Rent for leases obtained before 2/15/2020.
 - d. Utilities for accounts established before 2/15/2020.
 - e. Forgiveness will not be taxable income.
 - f. Other conditions for loan forgiveness:
 - i. Maintain the same number of full-time employees as the previous year average.
 - ii. Total payroll must not decrease by more than 25%. If it does, then the amount of forgiveness will be decreased.

- iii. If employees were laid off, suffered reduced pay rates, or reduced hours, you will not be penalized if they are rehired before 6/30/2020 or when the loan is approved.
- iv. Keep extremely detailed records of expenses used to obtain loan forgiveness.

5.) Other PPP loan provisions

- a. Repayment of unused amounts will be deferred for 6-12 months. SBA will extend guarantee for 2 years. Interest rate is up to 4%.
- b. Only one PPP loan can be received.
- c. Maximum loan is \$10,000,000.

Total amount of loan \$349,000,000,000. When funds are depleted, the program will end.

