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SBA'S PAYCHECK PROTECTION PROGRAM

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To access the Small Business Administration's (SBA) Paycheck Protection Program under the recently enacted CARES Act (COVID-19 economic stimulus package), small businesses may access programmatic information and submit an application through SBA's website, www.sba.gov or the following link: [Paycheck Protection Program](#).

Businesses with fewer than 500 employees are eligible for up to \$10 million in loans, which can be used for payroll and other expenses, like insurance premiums, mortgages, rent or utilities.

According to the SBA, the [Paycheck Protection Program](#) prioritizes millions of Americans employed by small businesses by authorizing up to \$349 billion toward job retention and certain other expenses.

Small businesses and eligible nonprofit organizations, Veterans organizations, and Tribal businesses described in the Small Business Act, as well as individuals who are self-employed or are independent contractors, are eligible if they also meet program size standards.

Under this program:

- Eligible recipients may qualify for a loan up to 2.5 times their payroll or \$10 million determined by 8 weeks of prior average payroll plus an additional 25% of that amount.
- Loan payments will be deferred for six months.
- The Paycheck Protection Program is retroactive to Feb. 15, meaning small businesses can go back and rehire any workers laid off after Feb. 15 – program term February 15 through June 30, 2020.
- Maximum loan rate is set at 4 percent with a maximum term of 10 years.
- If small businesses maintain their workforce, SBA is authorized to forgive the portion of the loan proceeds that are used to cover the first 8 weeks of payroll and possibly other expenses such as rent, mortgage (not including principal), sick leave, utilities and insurance premiums following loan origination – eligible payroll costs do not include individual compensation above \$100,000. Canceled indebtedness resulting from this program will not be included in the borrower's taxable income.

SBA PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS CRITERIA

Here is the Senate analysis of Section 1106 of the CARES Act (Public Law 116-136/S.748) that covers criteria for loan forgiveness:

Section 1106. Loan Forgiveness

Establishes that the borrower shall be eligible for loan forgiveness equal to the amount spent by the borrower during an 8-week period after the origination date of the loan on payroll costs, interest payment on any mortgage incurred prior to February 15, 2020, payment of rent on any lease in force prior to February 15, 2020, and payment on any utility for which service began before February 15, 2020.

Amounts forgiven may not exceed the principal amount of the loan. Eligible payroll costs do not include compensation above \$100,000 in wages. Forgiveness on a covered loan is equal to the sum of the following payroll costs incurred during the covered 8 week period compared to the previous year or time period, proportionate to maintaining employees and wages:

Payroll costs **plus** any payment of interest on any covered mortgage obligation (which shall not include any prepayment of or payment of principal on a covered mortgage obligation) **plus** any payment on any covered rent obligation + and any covered utility payment.

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 percent 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.

Allows forgiveness for additional wages paid to tipped workers.

Borrowers will verify through documentation to lenders their payments during the period. Lenders that receive the required documentation will not be subject to an enforcement action or penalties by the Administrator relating to loan forgiveness for eligible uses.

Upon a lender's report of an expected loan forgiveness amount for a loan or pool of loans, the SBA will purchase such amount of the loan from the lender. Canceled indebtedness resulting from this section will not be included in the borrower's taxable income. Any loan amounts not forgiven at the end of one year is carried forward as an ongoing loan with terms of a max of 10 years, at max 4% interest. The 100% loan guarantee remains intact.

Q&A – HOW TO ACCESS SBA'S PAYCHECK PROTECTION PROGRAM

Below please see a Q&A on how small businesses can access SBA's Paycheck Protection Program. The Q&A appeared in the Washington Post's March 31st print edition. While not official, hopefully this information may provide some additional guidance on the program.

Q: How do I apply for a small business loan through the Paycheck Protection Program?

The Small Business Administration has a network of 1,800 approved lenders that process small business loans. If you are interested in a Paycheck Protection Program loan, you should first contact your bank to see if it is an SBA-approved lender. If your bank is not an SBA-approved lender, you can [contact the SBA](#) to find one.

Q: When will the new funding be made available to small businesses?

Treasury Secretary Steven Mnuchin [said Monday](#) on Fox Business Network that small business loans will be made available starting Friday. Detailed instructions on how to apply have been added to the Small Business Administration's website this past Monday, Mnuchin said.

Mnuchin has said in the White House's daily news briefings that a system will be set up for same-day loan evaluation.

Information on the Paycheck Protection Program can be accessed on SBA's website: www.sba.gov.

You can reach the SBA by email at answerdesk@sba.gov or by phone at 1-800-827-5722. The agency has reported receiving "unprecedented" interest in its loan program in recent weeks but is working to set up new call centers to handle the flood of new inquiries.

Several business groups also have published fact sheets on the SBA's loan programs, including the [Economic Innovation Group](#) and the [U.S. Chamber of Commerce](#).

Q: Which businesses qualify under the Paycheck Protection Program?

Small businesses, nonprofits, tribal business concerns that meet the SBA's standard business size definition and veterans organizations organized under 501(c)(19) with fewer than 500 employees are eligible for loans under the program. Self-employed individuals, independent contractors and sole-proprietors also are eligible. To receive a loan, your company must have been in business as of Feb. 15.

If you are in the food service business, the 500-employee cap is applied on a per-physical-location basis, according to a fact sheet published by the U.S. Chamber of Commerce.

There are criminal penalties for submitting false information on loan applications.

Q: How much money can my business receive through the new loan program?

The Paycheck Protection Program provides small business loans of up to \$10 million to cover payroll and certain other expenses. Other SBA loan programs, including the federal disaster relief program, offer much smaller loans.

Q: What time period is covered by Paycheck Protection Program loans?

The new loans apply to costs incurred retroactive to Feb. 15 through June 30.

Q: Can the loan eventually be forgiven?

Yes. The act includes loan forgiveness for companies able to keep employees on payroll or continue paying bills throughout the coronavirus crisis.

The amount of loan forgiveness will include payroll costs for individuals below \$100,000 in annual income, mortgage and rent obligations, including interest and utility payments. The total amount will be reduced if your workforce is drawn down through attrition or if wages are reduced. If you are forced to lay off employees because of economic conditions, you may be able to preserve some of your loan guarantee by hiring them back.

Eligibility for loan forgiveness starts eight weeks after the loan origination date. There is a maximum 10-year maturity after application for loan forgiveness.

Q: What's the interest rate?

The maximum interest rate for the Paycheck Protection Program is 4 percent.

Q: It looks like there are a lot of different federal loan programs. Can my business receive funding through more than one?

Yes. Businesses that have pending or existing SBA disaster assistance loans can still receive funding through the Paycheck Protection Program as long as the loans are being applied to different cost centers. You also can still apply for a loan if you have an insurance claim pending.

Q: What do these loans cover?

Loans through the Paycheck Protection Program can cover payroll costs, mortgage and rent payments, and health-care benefits for employees, including paid sick leave. In some cases, they also can cover interest on other debts.

Q: What if I'm still paying off a different SBA disaster loan?

The Small Business Administration has made all deferments through Dec. 31 automatic. That means small-business owners do not have to contact the SBA to request deferment.