The SBA’s Paycheck Protection Program & How to Apply

hosted by

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Call Agenda

Introduction to the PPP
How to Apply
Additional Resources
Q & A
Introduction to PPP

The Paycheck Protection Program

- **Established** by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, signed into law on March 27
- **Operated** by the U.S. Small Business Administration (SBA)
- **Administered** by banks

If you take nothing else away, Contact Your Bank Today!
How Much Is Available for the Program?

- Congress appropriated $349 billion for the program
- Additional resources anticipated, but no guarantee at this time
- First come, first served
Introduction to PPP

What Banks Are Offering These Loans?

- You can apply through any existing SBA 7(a) lender or through any federally insured depository institution, and federally insured credit union 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.*

- You can also search for PPP lenders here: [https://www.sba.gov/paycheckprotection/find](https://www.sba.gov/paycheckprotection/find)

- Lenders began processing loan applications starting April 3.

- The program will be available until resources run out or through June 30, 2020.
What Is the Purpose of the Program?

• The PPP is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll.

• SBA will forgive loans if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities.
Who Is Eligible for the Program?

- Businesses and 501(c)(3) nonprofit organizations with fewer than 500 employees and principal place of residence in the United States
- Self-employed, sole proprietors, independent contractors also eligible
- A few more complexities in the rule related to SBA’s size standards and businesses in the Accommodations and Food Services industries
What Are the Loan Terms?

- Same for every bank and every borrower – no shopping necessary!
- 1.00% fixed interest rate
- Loan is due in two years
- Payments deferred for six months
- No prepayment penalty
- No borrower fees
- No personal guarantee or collateral needed
How Much Can You Borrow & What Can Be Forgiven?

• You may borrow up to **2.5 times average monthly payroll costs**, not to exceed $10 million

• A borrower is eligible for **loan forgiveness** equal to the amount the borrower spent on the following items during the 8-week period beginning on the date the funds were disbursed:
  
  • Payroll costs, including benefits  
  • Mortgage interest, obligations existing before February 15  
  • Rent, obligations existing before February 15  
  • Utilities

**CRITICAL NOTE:** Not more than 25% of the forgiven amount may be for non-payroll costs; at least 75% must be spent on payroll!
What May Reduce the Amount Forgiven?

The amount of loan forgiveness will be reduced if there is:
- a reduction in the employee headcount during the period, or
- a reduction of greater than 25% in wages paid to employees

What If I Bring Back Employees or Restore Wages?

Reductions in employment or wages that occur between February 15, 2020 and April 26, 2020 (as compared to February 15, 2020) shall not reduce the amount of loan forgiveness **IF** the borrower eliminates the reduction in employees or reduction in wages by June 30, 2020

**NICE BONUS:** Debt forgiveness under this program is not taxable
How Do You Calculate Payroll Costs?

- **Most borrowers** can calculate their average payroll costs using either the previous 12 months or from calendar year 2019.

- For **seasonal businesses**, the applicant may use average monthly payroll for the period between February 15, 2019, or March 1, 2019, and June 30, 2019.

- An applicant that **was not in business** from February 15, 2019 to June 30, 2019 may use the average monthly payroll costs for the period January 1, 2020 through February 29, 2020.
How to Apply

What Is Included in the Payroll Costs Calculation?

For purposes of this program, your payroll costs include:

• Salary, wage, commission, or similar compensation
• Payment for vacation, parental, family, medical, or sick leave
• Payment for group health care and retirement benefits

Your payroll costs do not include:

• Compensation of an individual employee in excess of an annual salary of $100,000 (note: full benefits still count)
• Employer portion of payroll taxes
• Any compensation of an employee whose principal place of residence is outside of the United States
• Qualified sick or family leave wages for which a credit is now allowed under the Families First Coronavirus Response Act
How to Apply

What Is Included in the Payroll Costs Calculation?

For sole proprietors, independent contractors, and self-employed individuals:

The sum of payments of any compensation to, or income of, a sole proprietor or independent contractor that is a wage, commission, income, net earnings from self-employment, or similar compensation and that is in an amount that is not more than $100,000 in one year, as pro-rated for the covered period.
How to Apply

Helpful Documents to Gather

You may be asked to provide the following documents to your loan provider as part of the application process:

• Payroll processor records for a recent pay period (February 15, 2020)
• Payroll tax filings for 2019
• Other documentation to support payroll expenses such as bank records

You might find it helpful to gather the following documents as you calculate your loan amount:

• 2019 forms 940, 941, 944 & 1096 (if applicable)
• W2 for any employee paid over $100k/year
• 1099s if applying as an independent contractor
• 1040 to include Schedule C & E if available
• Schedule SE used to calculate self-employment taxes
## How to Apply

### 2019 Average Monthly Salaries, wages, commissions, vacation and sick pay

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>Average</th>
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<tbody>
<tr>
<td>Salaries, wages, commissions, vacation and sick pay</td>
<td>$</td>
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<td>Less any employee outside the US</td>
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<tr>
<td>Less any compensation paid to a single employee over $100k</td>
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<td>$</td>
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<tr>
<td>Less qualified sick and family leave for which a credit is allowed under sections 7001 and 7003 of the FFCRA</td>
<td>$</td>
<td>$</td>
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<tr>
<td>Less FICA and unemployment taxes</td>
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</table>

**Group Health Insurance**

**Retirement Benefit Costs**

**State/Local Taxes on Employee Compensation**

**Subtotal**

Multiply subtotal by 2.5

$
Here’s the Start of the Application Form

| Paycheck Protection Program |
| Borrower Application Form |

Check One:  
- Sole proprietor  
- Partnership  
- C-Corp  
- S-Corp  
- LLC  
- Independent contractor  
- Eligible self-employed individual  
- 501(c)(3) nonprofit  
- 501(c)(19) veterans organization  
- Tribal business (see 31(b)(2)(C) of Small Business Act)  
- Other

DBA or Tradename if Applicable

<table>
<thead>
<tr>
<th>Business Legal Name</th>
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<table>
<thead>
<tr>
<th>Business Address</th>
<th>Business TIN (EIN, SSN)</th>
<th>Business Phone</th>
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<tr>
<th>Primary Contact</th>
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Average Monthly Payroll:  

$ \times 2.5 + \text{EIDL, Net of Advance (if Applicable)} = \text{Loan Request:} \quad $  

Number of Employees:

Purpose of the loan (select more than one):

- Payroll
- Lease / Mortgage Interest
- Utilities
- Other (explain):

Only 2 pages! You Can Do This!
Additional Resources

- SBA’s Coronavirus Relief Options
- SBA’s Paycheck Protection Program
- SBA’s PPP Loan Application
- SBA’s PPP Frequently Asked Questions
- SBA’s PPP Interim Final Rule (general)
- SBA’s PPP Interim Final Rule 2 (self-employed)
- SBA’s District Office Finder
Additional Resources

- **Economic Injury Disaster Loan Emergency Advance (EIDL)**
  - Emergency advance up to $10,000 (forgivable)
  - Loan maximum up to $2 million – based on actual economic injury
  - Can be refinanced into your PPP
  - [Helpful article and chart comparing PPP & EIDL](#)

- **Employee Retention Credit**
  - Refundable tax credit equal to 50% of qualified wages paid
  - Not eligible to be used jointly with the PPP

- **Delay of Payment of Employer Payroll Taxes**

- **Unemployment Benefits**
  - Expanded to self-employed, part-time, and contract workers
  - Application process varies by state
Jumpstart’s Educational Resources

Learning at Home with Jumpstart

www.jstart.org/learn_at_home
We’re happy to answer any questions you may have!

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