

PAYCHECK



PROTECTION PROGRAM

Coronavirus Aid, Relief, and Economic Security Act (CARES Act)



The Coronavirus Aid, Relief, and Economic Security (CARES) Act features \$349 billion to help businesses retain employees during the coronavirus emergency and economic disruption. The Paycheck Protection Program provides 100% federally guaranteed loans to eligible companies. The U.S. Treasury Department and the Small Business Administration (SBA) will be issuing guidance and regulations on this program, so this document will be updated accordingly.

MAXIMUM LOAN AMOUNT



FOR EMPLOYERS

2.5 times the **average total monthly payroll costs** incurred during the year prior to the loan date.

FOR SEASONAL EMPLOYERS

2.5 times the **average total monthly payments for payroll costs for the 12-week period** beginning Feb. 15, 2019 or March 1, 2019 (decided by the loan applicant) and ending June 30, 2019.

FOR BUSINESSES NOT IN OPERATION IN 2019

2.5 times the **average total monthly payroll costs** incurred for January and February 2020.

CALCULATING AVERAGE MONTHLY PAYROLL COSTS



WHAT IS INCLUDED IN PAYROLL COSTS

- Salary and wages
- Payment of cash tips
- Group health benefits and insurance premiums
- Payment of state/local taxes on employee compensation
- Payment for leave and separation
- Retirement pay.

WHAT IS NOT INCLUDED IN PAYROLL COSTS

- Compensation of an employee in excess of an annual salary of \$100,000, prorated for the period February 15, to June 30, 2020
- Payroll taxes and income taxes
- Any employee compensation if their primary residence is outside of the U.S.
- Qualified sick leave or family leave wages for which a credit is allowed under the *Families First Coronavirus Response Act*.

LOAN FORGIVENESS

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 of the origination of the loan:

- Payroll costs
- Interest on the mortgage obligation or rent on a leasing agreement
- Payments on utilities (electricity, gas, water, transportation, telephone, or internet)
- For borrowers with tipped employees, additional wages paid to those employees



Per recent guidance from the Treasury Department and SBA, **75 PERCENT OF THE FORGIVABLE LOAN** must be on payroll expenses. **Not more than 25 percent of the loan forgiveness amount may be attributable to non-payroll expenses.** The amount of loan forgiveness **IS REDUCED** if there is a reduction in the number of full-time employees or if there is a **reduction of greater than 25% in salary/wages paid to full-time employees.** **This provision applies whether the business is operating at full capacity, diminished capacity, or temporarily closed.** Employers who rehire workers previously laid off because of the coronavirus crisis will not be penalized for having a reduced payroll for the beginning of the relevant period. **The Treasury Department is advising that loan recipients have until June 30, 2020 to restore full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.**

WHEN A BUSINESS SEEKS LOAN FORGIVENESS

it must apply through their lender, and produce the following:

- **Documentation verifying the number of Full-Time Equivalent Employees (FTEs) on payroll and pay rates for pre- and post-covered periods**, including payroll tax filings reported to the IRS and state income, payroll, and unemployment insurance filings;
 - o This compares the FTEs on payroll during the eight-week loan period, beginning on the origination date, with the average number of FTEs per month from February 15, 2019 to June 30, 2019 — or for a seasonal employer, the average number of FTEs per month from February 15, 2019 to June 30, 2019.
- **Documentation** of rent, mortgage interest, and utility payment;
- **Certification** that the documentation referenced above is true and correct.

The lender must make a decision on the forgiveness within 60 days. For PPP loans that are not forgiven, interest rates are set at a 1.0% fixed rate and all initial payments are deferred for 6 months (but interest will continue to accrue over this period). The loan will be due in two years, per Treasury's most recent guidance.



The Treasury Department is advising that **“due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.”**

Although the program is open until June 30, 2020, the Department is encouraging interested entities to apply quickly because “there is a funding cap and lenders need time to process your loan.”

Federal rules are still being issued on this these issues. As always, please ensure you are reviewing the latest in federal and state laws when considering loan or investment decisions. If you need specific advice, please seek a professional who is licensed or knowledgeable about that area, your business, etc.

ELIGIBLE PPP LOAN RECIPIENTS



Any business in operation on February 15, 2020 with no more than 500 employees. However, a business in the **restaurant, foodservice, catering, and hotel industry with more than one physical location qualifies for a single loan if it employs no more than 500 employees at each physical location** if they operate under the North American Industry Classification System code beginning with 72 ([Accommodation and Food Services - U.S. Census Bureau](#)). For purposes of eligibility, the SBA's affiliate rules are waived for businesses in the hospitality and restaurant industries, and franchises approved on the SBA's Franchise Directory.
