Small Business Administration
And the CARES ACT

Paycheck Protection Loans

The Paycheck Protection Loan Program is available to businesses with under 500 employees who had employees on payroll as of February 15, 2020 and certain other businesses and nonprofit organizations specified in the CARES Act.

Loan Amount

The amount which can be borrowed is limited to the lesser of $10 Million or 2.5 times the average monthly payments for "payroll costs" over the 12 months before applying for the loan.

Payroll costs are defined as payments of any compensation with respect to:

1. **Salaries or similar compensation,**
2. **Vacation, parental, family, medical, or sick leave, other than those covered by certain other recent coronavirus response Federal laws,**
3. **Allowance for dismissal or separation,**
4. **Payments for the provision of group healthcare benefits, including insurance premiums,**
5. **Payment of any retirement benefit, and**
6. **Payment of State and local taxes assessed on the compensation of employees.**

The excess portions of an employee's compensation in excess of the $100,000 level does not count in the calculation, nor do taxes imposed or withheld under Chapters 21, 22 or 24 of the IRC.

IRC § 21 - Expenses for Household and Dependent Care.
IRC § 22 - Credit for Elderly and Permanently Disabled
IRC § 24 - Child Tax Credit

Use of Loan Proceeds

The amount of the loan is based on certain payroll costs, however the loan proceeds may be used for other costs, such as:

1. **Payroll costs, other than excess portions of annualized compensation of an employee that exceeds $100,000,**
2. **Continuation of group healthcare benefits during periods of paid sick, medical or family leave, and insurance premiums,**
3. **Rent or mortgage payments,**
4. **Utilities, and**
5. **Interest on debts that were incurred before February 15, 2020.**

<u>Loan Forgiveness</u>
The amount of the loan forgiveness is based on the aggregate sum of the following items paid within the 8 week period after the loan proceeds are received:

1. **Payroll costs,**
2. **Rent payments on leases entered into before February 15, 2020,**
3. **Mortgage payments on mortgages entered into before February 15, 2020, and**
4. **Utility payments for electricity, gas, water, transportation, telephone or internet where the service started before February 15, 2020.**

The forgiven amount is potentially reduced pro rata based on certain reductions of the average number of full-time employees during the covered period of the loan compared to either, at the business's preference:

1. **The average number of full time employees during the period from February 15, 2019 to June 30, 2019, or**
2. **The average number of full-time employees during January 1, 2020 to February 29, 2020.**

There are certain exceptions to these arrangements for employees who may have been terminated after February 15, 2020 and then are re-hired within 30 days after the CARES Act was enacted.

Also should any under $100,000, during 2019, per year employee's compensation is reduced more than 25% during the loan covered

period, the excess reduction amount cannot be counted toward the forgiveness amount.

Applying for Debt Forgiveness

An application for these forgiveness arrangements will include at least submission of documentation confirming:

1. **The number of full-time employees during the applicable periods and their pay rates,**
2. **Payroll tax filings submitted to the IRS,**
3. **State income, payroll, and unemployment insurance filings,**
4. **Documentation, including cancelled checks showing rent and utility payments, and**
5. **A certification that the documentation is true and correct, and the amount of forgiveness requested.**

The Process

The lender will need to make a decision on the forgiveness application within 60 days.

The Federal government, as guarantor, will then make the lender whole for the forgiven amount.

If Debt Forgiven

The forgiven portions will *not be deemed to be income* to the borrower business.

If Part or All of Debt is Not Forgiven

Any unforgiving portions will be payable over a period of not more than 10 years, at interest rates no higher than 4%.