



# Emergency funding to offset coronavirus impacts on your business

As of April 3, 2020

The economic impact of the coronavirus (the virus that causes COVID-19) on small businesses is unprecedented. As you're looking to secure the future of your business, there are opportunities for help through the U.S. Small Business Administration (SBA) loans. One of the most impactful is the **Paycheck Protection Program (PPP)**, designed to provide quick access to cash that can help you **keep paying your employees** and assist with other expenses such as health insurance premiums, rent or mortgage payments and utilities. With this financial relief, your business can be in a better position to **be fully operational quickly** once conditions improve.

- Loans through the PPP are available through June 30, 2020. They're 100% federally guaranteed, meaning no personal guarantees or collateral are needed. The loan may be forgiven if your business maintains payrolls during the crisis.
- If the full amount of the loan isn't eligible for forgiveness, any remaining amount will remain a loan with a maximum term of two years at 1% interest and zero loan fees. The loan payments can be deferred six months.

- In addition to small business employers, **this program is available to sole proprietors, independent contractors and self-employed individuals.**
- There are other SBA loan programs, and as your CPA and adviser, we're happy to discuss those options. But let's look more deeply into the PPP first as the benefits of this program are new and substantial in **helping maintain your business in these challenging times. If you are interested in this funding source, apply as quickly as you can because there is a funding cap on the program.**

Consider a loan through the SBA PPP program to help fund your business for eight weeks. Highlights include:

- No personal guarantee or collateral
- Can be forgiven if employee count and compensation levels are maintained and proceeds are used for eligible costs
- Low interest rate with no loan fees
- Self-employed individuals and independent contractors are eligible.



## Are you eligible?

If COVID-19 has harmed your business between Feb. 15 and June 30, 2020, you are eligible if you are:

- A small business with not more than 500 employees
- An individual who operates as
  - a sole proprietor
  - an independent contractor
  - self-employed
- A restaurant, hotel or a business that
  - is classified within the North American Industry Classification System (NAICS) under code 72, “Accommodation and Food Services”
  - has not more than 500 employees **at each location**

**Note:** Affiliation rules are waived for franchise operations or companies that receive funding through a Small Business Investment Company.

- Independently owned franchises with fewer than 500 employees, if approved by the SBA
  - Eligible franchises can be found through the [SBA’s Franchise Directory](#)
- A 501(c)(3) charitable organization with not more than 500 employees
  - If there are more than 500 employees, the organization may still be eligible based on SBA size standards.
- A small business that otherwise meets the SBA size standard, including
  - A Tribal business concern
  - A 501(c)(19) veterans organization

You can determine if you meet the SBA size standards using [this online tool](#)

**Note:** Include all employees – full time, part time and any other status in your calculation of the number of employees.



Small business and self-employed individuals are eligible for relief.

Loans can be up to 2.5 times your average monthly payroll costs, to a maximum of \$10 million.

## How much can you borrow?

- Loans can be up to **2.5 times your average monthly payroll costs**, to a maximum of **\$10 million**.
  - Was your business operating in 2019? Your eligible payroll costs are based on average payroll for the last 12 months.
  - Is your business new? If so, payroll costs are based on average payroll for January and February 2020.
  - Is your business seasonal (e.g., doesn’t operate year-round)? Payroll costs are based on what you paid during the 12-weeks beginning either Feb. 15, 2019, or March 1, 2019.

- Payroll costs include:
  - Salaries, wages, commissions, tips, etc.
  - Vacation, parental, family, medical or sick leave
  - Allowance for separation or termination
  - Payment for employee benefits consisting of group health coverage, including insurance premiums and retirement
  - And other items

For a sole proprietor or independent contractor, this includes:

- Commissions
- Income
- Net earnings from self-employment or similar compensation

- There are limitations for employees who earn over \$100,000 a year or whose principal residence is outside of the U.S., but you can quickly **calculate the amount of eligible payroll using worksheets we can provide**.
- If you took a credit for qualified sick and family leave pay under the Families First Coronavirus Response Act, those wages are excluded.
- If you took out an Economic Injury Disaster Loan (EIDL) between Feb. 15 and June 30, 2020, that was used for payroll, you are required to refinance that loan into a PPP loan.

## How can you use loan proceeds?

Your business can use the loan proceeds to fund these costs incurred between Feb. 15 and June 30, 2020:

- Payroll costs for your employees, whether they're able to work or not
  - For example, your business may be unable to open due to government restrictions. But if you continue to pay your workers, those costs are included in the eligible payroll costs.
  - This can include paying sick, medical or family leave compensation.
- Payment for group health care benefits, including insurance premiums
- Interest on mortgage loans
- Rent
- Utilities
- Interest payments on other debt (incurred before Feb. 15, 2020)
- Refinancing an SBA EIDL loan made between Jan. 31 and April 3, 2020



The loan can be used to cover payroll, health care premiums, rent, utilities and interest.

## How much of the loan will be forgiven?

The goal of this program is to keep employees paid during the eight weeks beginning with the date of your loan. **Any reduction in the number of employees or the wages you paid affects the forgiveness of the loan.**

The amount that is forgiven is the amount spent on the costs incurred as outlined in the previous section "How can you use loan proceeds?"

However, if there is any **reduction in the number of full-time employees or a decrease in wages paid** by more than 25%, the loan forgiveness is reduced. Here's a closer look at what triggers a reduction in the forgiveness:

- If you decrease salaries and wages by more than 25% for any employee who made less than \$100,000 annualized in 2019, your loan forgiveness will be reduced.
- If the number of FTEs decreases, the forgiveness will be reduced.

**Note:** Not more than 25% of the loan forgiveness amount may be attributable to nonpayroll costs.

To request the loan forgiveness, you'll submit a request to the lender that is servicing the loan. That request will include documentation on payroll and other expenses.

Don't worry – we can provide a calculation worksheet to help with this. Final guidance is needed to clarify a few details and we'll share that when it's available.

**Have you already laid off employees or cut pay?** The loan amount can still be forgiven for the full amount of your payroll cost if you rehire your employees by June 30, 2020, and restore your FTEs and wage levels for any changes made between Feb. 15 and April 26, 2020.

## How can you apply for a PPP loan?

All current SBA 7(a) lenders are eligible lenders for PPP. More lenders are expected to be in place quickly.

- [7\(a\) loans](#) are another type of SBA financing.
- The 100 most active SBA 7(a) lenders are [listed here](#).
- You can check with your current bank or lender to see if it is an SBA lender.

## What do you need for the loan application process?

You'll be asked to verify the number of employees and payroll incurred over the most recent 12 months with payroll processor records or payroll tax filings.

You will need to complete the Paycheck Protection Program loan application and submit the application with the required documentation. You will also be required to make certain certifications. You'll find a sample application [here](#).

## Did you apply for or receive an Economic Injury Disaster Loan (EIDL) related to COVID-19?

If you received an EIDL loan between Jan. 31 and April 3, 2020, you can refinance the EIDL into the PPP. If the EIDL loan was used for payroll purposes, your PPP loan must be used to refinance your EIDL loan.

**Note:** You can't take an EIDL and a PPP for the same purposes.

Remaining portions of the EIDL, for purposes other than those laid out in loan forgiveness terms for a PPP loan, would remain a loan. If you took advantage of an emergency EIDL grant award of up to \$10,000, that amount would be subtracted from the amount forgiven under PPP.

These are stressful times and we know you have questions about how to secure your business. We can assist you by reviewing available financing options, helping with cash flow modeling, business continuity planning and more. Please contact us with any questions.



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