

Overview

The Coronavirus Aid, Relief, and Economic Security (CARES) Act creates a new Small Business Administration (SBA) loan program, called the “Paycheck Protection Program” (PPP). The Paycheck Protection Program provides small businesses with zero-fee loans of up to \$10 million to cover payroll and other operating expenses. Up to 8 weeks of payroll, mortgage interest, rent, and utility costs can be forgiven. Payments on principal and interest are deferred for six months and up to one year. Small businesses will be able to apply if they were harmed by COVID-19 between February 15, 2020, and June 30, 2020. This program is retroactive to February 15, 2020, in order to help bring workers who may have already been laid off back onto payrolls. Loans are available through June 30, 2020.

Eligibility

You are eligible if:

Your business or entity was in operation on February 15, 2020; You are a small business, a 501(c)(3) nonprofit organization, a 501(c)(19) veterans organization, or tribal business concern that has fewer than 500 employees, or the applicable size standard in number of employees for the North American Industry Classification System (NAICS) industry as provided by SBA, if higher. You are a sole proprietorship, an independent contractor, or self-employed. You are a franchise business that employs not more than 500 employees per physical location and your business has an NAICS code beginning with 72, for which the affiliation rules are waived. Affiliation rules are also waived for any business operating as a franchise that is assigned a franchise identifier code by the SBA, and any company that receives funding through a Small Business Investment Company.

Loan Size:

Your maximum loan size is 250% of average monthly payroll costs from February 15, 2019, to June 30, 2019. If you are a seasonal employer, you can opt to choose March 1, 2019, as the time period start date. If you were not in business this time last year, your maximum loan is equal to 250% of your average monthly payroll costs between January 1, 2020, and February 29, 2020. The loan maximum in all cases is \$10 million. Payroll costs for the purposes of determining your loan size include:

Compensation (salary, wage, commission, or similar compensation, payment of cash tip) Payment for vacation, parental, family, medical, or sick leave Allowance for dismissal or separation Payment required for group health care benefits, including insurance premiums Payment of any retirement benefit Payment of State or local tax assessed on the compensation of employees The following costs do not count towards your loan size: compensation over \$100,000, certain withheld taxes, compensation for employees outside of the United States, and required leave under the Families First Coronavirus Response Act, for which a credit is allowed.

Use of Loan Funds:

You may use the funds for:

Payroll costs (all costs included above) Costs related to group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums Employee salaries, commissions, or similar compensations (except as excluded above) Payments of interest on any mortgage (but not payment or prepayment of principal) Rent Utilities Interest on any other debt obligations that were incurred before the February 15, 2020.

Loan Terms:

For any amounts not forgiven, the maximum term is 10 years, the maximum interest rate is 4 percent, zero loan fees, zero prepayment fee (SBA will establish application fees caps for lenders that charge).

Loan Forgiveness:

You can apply to your lender to forgive your loan for the amount of payroll costs plus payments of mortgage interest, rent, and utilities incurred during the 8-week period after the loan is disbursed. The amount that can be forgiven is proportionate to maintaining employees and wages. You must apply through your lender for forgiveness and provide:

Documentation verifying the number of employees on payroll, their pay rate, IRS payroll and state income tax filings, and unemployment insurance filings; Documentation verifying payments of rent, mortgage interest, utilities, and other debt; and Certification from your business that the documentation provided is true and that amount of the loan that is being forgiven was used in line with the program's requirements. Any loan amounts not forgiven are carried forward as an ongoing loan with max terms of 10 years, at a maximum interest rate of 4 percent. Principal and interest will continue to be deferred, for a total of 6 months to a year after disbursement of the loan.

Can I use a Paycheck Protection Loan with other SBA loans?

Yes, you may apply for a paycheck protection loan and other SBA loans, including the SBA economic injury disaster loans, 7(a) loans, 503 loans, and microloans. However, you may not use funds from each of these programs for the same purposes.