

# Paycheck Protection Program (PPP)

Updated: April 24, 2020

The program provides **forgivable** loans at 1% interest, up to \$10 million, through SBA approved lenders to help small businesses bring their employees back on the payroll & cover qualified business expenses for 8 weeks during the COVID19 pandemic.

## 1 Is my business eligible?

- All businesses – including nonprofits, veterans' organizations, sole proprietorships, self-employed individuals, and independent contractors – with 500 or fewer employees
- Business must have been impacted as a result of COVID 19 pandemic
- Business and employees must be based in the United States of America

## 2 What expenses will the loan cover?

### Payroll Costs

- Salary, wages, commissions and tips (**capped at \$100k/year/employee**)  
**Note:** Payroll for employees who earn tips can be based on employee records of past tips or in the absence of such records, a reasonable, good-faith employer estimate of such tips  
**Note:** Payroll for independent contractors or sole proprietors can include wage, commissions, income, net earnings or similar compensation
- Most benefits including costs for vacation, parental, family, medical or sick leave; payments required for the provisions of group health care benefits including insurance premiums; payment of any retirement benefit; payment of state and local taxes assessed on compensation of employees

### Business Costs

- Mortgage interest payments (**NOT mortgage prepayments or principal payments**), rent payments, utility payments  
**Note:** all service contracts and/or lease/debt agreements must have been in place prior to February 15, 2020

### Refinance an SBA Economic Injury Disaster Loan (EIDL)

- If you received an EIDL loan from January 31, 2020- April 3, 2020, you can refinance it using a PPP loan  
**Note:** If your EIDL loan was used for payroll costs, your PPP loan must be used to refinance your EIDL loan
- Proceeds from any advance up to \$10,000 on the EIDL loan will be deducted from the loan forgiveness amount on the PPP loan

## 3 Will this loan be forgiven?

Borrowers will be eligible for loan forgiveness equal to the amount that the borrower spent on qualified expenses during the 8-week period which begins the day the funds are deposited into the business's account, assuming adequate records are kept. At least 75% of the total loan amount must be spent on payroll costs for employees. Employee count must match or exceed the number of employees used when submitting your application.

The amount of the loan that will be forgiven will be reduced proportionally if the following are not met:

- A business fails to spend at least 75% of the loan amount on payroll
- A business fails to pay at least the same number of employees used on the application
- A business cuts wages in excess of 25% for any employees

## 4 How to calculate your maximum loan amount?

**Step 1:** Aggregate payroll costs from the last twelve months for employees whose principal place of residence is the United States.

**Note:** Time frames may differ for seasonal business.

**Step 2:** Any employee making \$100k+/year is capped at \$100k. Subtract any compensation paid to an employee in excess of annual salary of \$100k.

**Step 3:** Calculate average monthly payroll costs **(divide the amount from Step 2 by 12).**

**Step 4:** Multiply the average monthly payroll costs from Step 3 by 2.5.

**Step 5:** If applicable, add the outstanding amount of an Economic Injury Disaster Loan (EIDL) made between January 31, 2020 and April 3, 2020, and subtract the amount of any “advance” under an EIDL COVID-19 loan (because it does not have to be repaid). The result of Steps 1-5 is the maximum loan amount for which you will be eligible.

## 5 How do I apply?

PPP loans are secured through a local bank. Gather the below documentation and reach out to a participating local lender to submit your application. You will improve your chances for receiving a loan under this program if you have a complete application before contacting the lender.

For a complete application, you will need:

- A completed Paycheck Protection Program Borrower Application Form, found on the [US Department of the Treasury's website \(home.treasury.gov/cares\)](https://www.home.treasury.gov/cares).
- Your business launch date, amount of annual sales/revenue and mailing address  
**Documentation may include** your company's articles of incorporation, EIN/TIN, copies of your tax returns, etc.
- **2019 IRS Quarterly 940, 941 or 944** payroll tax reports
- Payroll reports for a 12-month period **(ending on the most recent payroll date)**  
**Documentation may include** receipts/reports from your payroll company, W3 from a previous tax year, bank account statements  
**Note:** independent contractors can submit **1099s for 2019**
- Total health insurance premiums paid by the company owner(s) under a group health plan **(including all employees and the company owners)**  
**Documentation may include** copies of invoices and/or payments made to insurance companies
- Sum of all retirement plan funding that was paid by the company owner(s), **including 401K plans, Simple IRAs and SEP IRAs** for all employees and owners.  
**Documentation may include** copies of invoices and/or payments made to retirement plan facilitators

## 6 What about the Economic Injury Disaster Loan (EIDL)?

The COVID-19 Economic Injury Disaster Loan is another way to get funding for your business during this crisis. This loan provides up to \$2 million at 3.75%, for up to 30-year terms. An advance grant of up to \$10,000 may also be available through this program. To apply, please visit the [SBA website \(sba.gov/page/disaster-loan-applications\)](https://www.sba.gov/page/disaster-loan-applications) and be prepared to provide:

- SSN/EIN Number
- Gross revenue for 2018 or 2019 (from tax returns)
- Cost of goods sold for 2018 or 2019 (from tax returns)
- Date business was established or owned
- Number of employees  
(1099 contractors excluded from employee count)
- Bank name
- Account number
- Routing number