

TXCPA CARES for Texans: Paycheck Protection Program

The economic impact of the coronavirus 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.

Are you eligible?

Any small business with 500 or fewer employees may be eligible. This includes small businesses, sole proprietors, S corporations, C corporations, LLCs, independent contractors, self-employed people and private nonprofits. In addition, some nonprofits, tribal groups and veteran groups are eligible.

Restaurants and hospitality businesses may qualify if they have 500 or fewer employees per location. Details on the size standards and exceptions are on the SBA website.

How much can you borrow?

A PPP loan recipient can get a loan of up to either \$10 million or two-and-a-half times their average monthly payroll costs, whichever number is lower.

What is the interest rate?

Loans will be at a fixed 1% interest rate, and payments can be deferred for six months.

How can you use the money from the loan?

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

- payroll costs
- costs related to continuing group health care benefits
- employee salaries
- commissions or similar compensation
- interest on mortgage obligations
- rent
- utilities
- interest on debt obligations incurred before February 15, 2020.

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 the money from the loan?" 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.

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

How can you apply for a PPP loan?

Organizations can call their current bank or lender directly, and the application is now [live at the SBA website](#). The Treasury Department has shared information about [what the application will look like](#).

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

- 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 provide certification that:

- Uncertainty of current economic conditions makes the loan request necessary to support ongoing business operations
- Funds will be used to retain workers and maintain payroll or make mortgage, lease, or utility payments
- No other duplicative loan applications
- During the period from February 15, 2020 through December 31, 2020 the borrower has not received other duplicative PPP loan amounts under the CARES Act.

Need More Details?

Contact your CPA or visit the [Small Business Administration's website](#) for the latest details. If you don't have a CPA, let TXCPA help you [find one](#)!