

CARES ACT

PAYCHECK PROTECTION LOAN PROGRAM (PPP)

Resources:

Act can be found at: <https://assets.documentcloud.org/.../final-final-cares-act.pdf...>

CARES Top 10

1. Provides stimulus to individuals, businesses, and hospitals in response to the economic distress caused by the coronavirus (COVID-19) pandemic.
2. Creates a \$349 billion loan program for small businesses, including 501(c)(3) non-profits and physician practices. These loans can be forgiven through a process that incentivizes companies to retain employees.
3. Allocates \$500 billion for assistance to businesses, states, and municipalities, with no more than \$46 billion to support passenger air carriers, air cargo carriers, and businesses important to maintaining national security. The remaining \$454 billion may be used to support lending to eligible businesses, states, and municipalities.
4. Allocates \$130 billion in relief to the medical and hospital industries, including for medical supplies and drug and device shortages.
5. Expands telehealth services in Medicare, including services unrelated to COVID-19 treatments.
6. Provides \$1,200 to Americans making \$75,000 or less (\$150,000 in the case of joint returns and \$112,500 for head of household) and \$500 for each child, to be paid “as rapidly as possible.”
7. Expands eligibility for unemployment insurance and provides people with an additional \$600 per week on top of the unemployment amount determined by each state.
8. Expands the Defense Production Act, allowing for a period of two years when the government may correct any shortfall in resources without regard to the current expenditure limit of \$50 million.
9. Provides the Secretary of the Treasury with the authority to make loans or loan guarantees to states, municipalities, and eligible businesses and loosens a variety of regulations prior legislation imposed through the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Economic Stabilization Act of 2008, and others.
10. Accompanied by supplemental appropriations to help the government respond to this pandemic.

<https://www.foley.com/.../coronavirus-cares-act-enacted-into-...>

The Paycheck Protection Program:

What is the PPP: The Paycheck Protection Program (“PPP”) is a program that authorizes up to \$349 billion in forgivable loans to small businesses to pay their employees.

Who is a Small Business?

Businesses with fewer than 500 employees

Sole proprietors

Independent contractors

Self employed people

Other qualification -- must be operating as of February 15, 2020

What can it be used for:

Loan proceeds must be used to pay payroll for employees and to pay mortgage interest payments; lease payments and utility payments.

Loan is for up to two years

Interest rate on the loan is 1%.

Is Loan Forgivable? Yes – See Below.

Where or from whom can you get a loan

Must be an approved SBA lender.

Most lenders are working with only existing customers

Why? Because of risks involved for Banks. Loans are below commercial interest rates and are not personally guaranteed. Fear of being left with uncollectable loan

What is the Process to Get Loan

a. Complete PPP application

b. Where do you get the correct application

<https://www.sba.gov/document/sba-form--paycheck-protection-program-borrower-application-form>

<http://asbdc.org/cares/>

c. How is amount of Loan Calculated -- Loan is not income based.

Lawyers – we are non-seasonal

Formula is $2.5 \times$ Average Monthly Payroll Costs

How to calculate Average Monthly Payroll Costs paid 1 year prior to loan date.
Where do you find payroll costs.

- W-3 (box 5)
- 941 TR for QE 1-4
- Payroll Register for 2019
- Wages must be equal to less than \$100,000 (\$8,333)
- Total wages and Divide by 12.

d. Amount of Loan is capped at 10 Million

Certifications.

The loan request is necessary to support ongoing operations due to the uncertainty of current economic conditions;

The borrower will use the loan proceeds to retain workers and maintain payroll and/or make mortgage interest, lease, and utility payments;

The borrower does not have an application pending for a loan duplicative of the purpose and amounts applied for here (**This means No Double Applications**); and

From February 15, 2020 to December 31, 2020, the borrower has not received a loan that is duplicative of the purpose and amounts applied here.

Note: Borrower of EIDL can still apply for PPP and can refinance the EIDL loan into new PPP loan.

- c. What information will you need:
1. 941 Quarterly Returns for periods ending QE 1-4 2019; and
 2. Payroll ledgers showing each employees wages for the period from January 2019 through February 2020 (14 months).
 3. May also need to show how much the firm paid each employee for
 - a. Vacation pay
 - b. 401k matching
 - c. Health insurance;
 - d. SALT
 4. Independent contractors – must include 1099 for each independent contractor that is included in the loan request.
 5. Sole Proprietor must also submit Schedule C from 1040 for 2019
 6. If using loan to pay mortgage interest – need monthly mortgage statement
 7. If using loan proceeds to pay rent – need a copy of the rent agreement executed prior to February 15 2020.
 8. Copy of Organizational Documents.
 - a. Articles of Incorporation and Bylaws;
 - b. Certif. of Formation and Operating Agreement
 - c. Limited Partnership: Certificate of limited partnership and Partnership Agreement;
 - d. General Partnership Agreement
 - e. Sole Proprietorship - Updated Business License.

What is the time line to be funded?

- a. Too many loans for the banks to handle
 - a. BBVA normally does 500 loans per month;
 - b. Yesterday got 8,000 applications in 24 hours

- b. Work with a bank that have a loan with or credit history
 - a. They know you and have a vested interest in your success.
- c. Two Week Period Not because money is there its just processing.
- d. Early applications will cut this timeline.

Forgiveness

- Loan is forgivable if loan proceeds are used as follows:
 - Will owe money if used for other purposes over 8 weeks
 - 75% must be used to pay existing workforce or to rehire prior force;
 - Can rehire up until June 30, 2020
 - Can only use 25% of proceeds for non-payroll expenses (rent; utilities; interest)
 - Level of forgiveness is reduced if you give up salaries by more than 25% for any employee making less than \$100,000.
 - Have to pay interest on the loan at 1%