



## **COVID-19 – ONE PAGE Q&A – SMALL BUSINESS LOANS (THE PAYCHECK PROTECTIONS PROGRAM)**

**Covered Period: February 15, 2020 – June 30, 2020 – SBA section 7(a) Loans**

### **Which employers are eligible for the Paycheck Protection Program?**

In general, any employer with fewer than 500 employees is eligible. An employer must certify in good faith that: the uncertainty of the current economic conditions makes the loan necessary to support ongoing operations; the funds will be used appropriately; and there are no duplicative loan requests.

### **What is the maximum loan amount?**

The lesser of: (1) \$10,000,000; or (2) 2.5 x (employer's average total monthly payroll costs). An employer's average total monthly payroll costs is determined by looking back at the one-year period from the loan date.

### **What does the term “payroll costs” include?**

Payroll costs include salaries, wages and commissions; cash tips; vacation, family, and sick leave; allowance for dismissal; payment of group health care benefits including premiums; payment of retirement benefits; and state or local taxes assessed on employee compensation. Payroll costs do not include compensation in excess of \$100,000 or payments made for **Sick Leave** or **expanded FMLA provision** of the FFCRA.

### **What are the allowable uses of the loan?**

The employer can use the loan for: payroll costs; costs related to group health benefits during periods of paid sick, medical, or family leave and insurance premiums; salaries and commissions; mortgage interest payments (except prepaid); rent; utilities; and interest on prior debt obligations

### **Can a portion of the loan be forgiven?**

An employer is eligible for loan forgiveness for an eight week period equal to the sum of payments of: payroll costs; any interest (except prepaid) on any covered mortgage obligation; rent; and utilities.

### **Are there limits on the loan forgiveness amount?**

The loan forgiveness amount, which can never exceed the principal amount, shall be reduced if the employer's workforce was downsized comparing the average full-time equivalent employees (FTEs) count from February 15, 2020 to June 30, 2020 to February 15, 2019 to June 30, 2019. The preceding sentence does not apply, if the employer's FTEs count on June 30, 2020 is equal to or greater than the FTEs count on February 15, 2020. Finally, if an employer reduces salaries or wages of employees making \$100,000 or less by more than 25 percent, then the loan forgiveness amount is reduced by that amount. If the employer eliminates the reduced salaries or wages by June 30, 2020 compared to the salaries or wages on February 15, 2020, the previous sentence will not apply.

### **What does an employer need to show for loan forgiven?**

For loan forgiveness documentation is required! An employer seeking loan forgiveness must submit to the lender documentation verifying: FTEs on payroll and payrates; income tax, payroll, and unemployment insurance filings with the State and IRS (if applicable); documents verifying covered mortgage, rent, or utility payments; a certification that the documents are true and correct and the amount forgiven was used appropriately; and any other item the administrator determines necessary.

### **How am I protected as a business owner?**

The administrator of the loan shall have no recourse against any individual shareholder, member, or partner with respect to nonpayment of any covered loan so long the proceeds are used for authorized purposes. Additionally, there can be no personal guarantee or collateral required for the covered loan. The amount forgiven will be treated as cancelled debt but not included in gross income of the employer.

### **What happens to the portion of the loan not forgiven?**

The remaining balance is the covered loan less the amount forgiven. The remaining balance cannot have a maturity date beyond 10 years from the date the loan is forgiven and the interest rate shall not exceed 4 percent. Principal, interest, and fee payments will be deferred 6-12 months from the loan date.

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