

CORONAVIRUS EMERGENCY LOANS

Small Business Guide and Checklist

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Updated: April 9, 2020



The Coronavirus Aid, Relief, and Economic Security (CARES) Act allocated \$350 billion to help small businesses keep workers employed amid the pandemic and economic downturn. Known as the Paycheck Protection Program (PPP), the initiative provides 100% federally guaranteed loans to small businesses.

Importantly, these PPP loans may be forgiven if borrowers maintain their payrolls during the crisis or restore their payrolls afterward.

The administration has released initial guidelines; they are available at www.treasury.gov. The U.S. Chamber of Commerce has issued this guide to help small businesses and self-employed individuals check eligibility and prepare to file for a loan.

Small businesses and sole proprietors began applying on April 3. Independent contractors and self-employed individuals can apply beginning on April 10. The U.S. Small Business Administration (SBA) has a search tool to help you find a bank that offers PPP loans at: www.sba.gov/paycheckprotection/find.

Here are the questions you may be asking—and what you need to know.

You can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Other regulated lenders will be available to make these loans once they are approved and enrolled in the program. You should consult with your local lender as to whether it is participating.

While the program is open until June 30, 2020, the government is advising borrowers to **apply as soon as possible** given the loan cap on the program.

1 Am I ELIGIBLE?

You are eligible to apply for a PPP loan if you are:

- A small business with 500 or fewer employees
- Defined as “small” by SBA Size Standard that allows for higher employee threshold or is revenue based; or
- A small business with maximum tangible net worth up to \$15 million and the average net income for full 2 fiscal years prior to application does not exceed \$5 million
- A 501(c)(3) with 500 or fewer employees
- A sole proprietor, independent contractor, or self-employed
- A Tribal business concern that meets the SBA size standard
- A 501(c)(19) Veterans Organization that meets the SBA size standard

In addition, some special rules may make you eligible:

- If you are in the accommodation and food services sector (NAICS 72), the 500-employee rule is applied on a per physical location basis
- If you are operating as a franchise or receive financial assistance from an approved Small Business Investment Company the normal affiliation rules do not apply
- Small businesses that have minority shareholders (private equity or venture capital) can still qualify if those shareholders relinquish rights

2 What will lenders be LOOKING FOR?

Borrowers will need to complete the PPP Loan Application (which is available [HERE](#)) and payroll documentation

Lenders will also ask you for a good faith certification that:

1. The uncertainty of current economic conditions makes the loan request necessary to support ongoing operations
2. The borrower will use the loan proceeds to retain workers and maintain payroll or make mortgage, lease, and utility payments
3. Borrower does not have an application pending for a loan duplicative of the purpose and amounts applied for here
4. From Feb. 15, 2020 to Dec. 31, 2020, the borrower has not received a loan duplicative of the purpose and amounts applied for here (Note: There is an opportunity to fold [SBA Disaster Loans](#) into a PPP loan)

If you are an independent contractor, sole proprietor, or self-employed individual, lenders will also be looking for certain documents (final requirements will be announced by the government) such as payroll tax filings, Forms 1099-MISC, and income and expenses from the sole proprietorship.



What lenders will NOT LOOK FOR

- That the borrower sought and was unable to obtain credit elsewhere.
- A personal guarantee is not required for the loan.
- No collateral is required for the loan.

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How much can I BORROW?

Loans can be up to 2.5 x the borrower's average monthly payroll costs, not to exceed **\$10 million**.

How do I calculate my average monthly PAYROLL COSTS?



$$\text{sum of INCLUDED payroll costs} - \text{sum of EXCLUDED payroll costs} = \text{PAYROLL COSTS}$$

INCLUDED Payroll Cost:

- For Employers:** The sum of payments of any compensation with respect to employees that is a:
 - salary, wage, commission, or similar compensation;
 - payment of cash tip or equivalent;
 - payment for vacation, parental, family, medical, or sick leave
 - allowance for dismissal or separation
 - payment for group health care and retirement benefits
 - payment of state or local tax assessed on the compensation of the employee
- For Sole Proprietors, Independent Contractors, and Self-Employed Individuals:** The net income not more than \$100,000 in one year

Borrowers can refinance a [SBA Economic Injury Disaster Loan \(EIDL\)](#) into a PPP loan: The EIDL amount is added to the payroll calculation but may not exceed the \$10 million PPP loan.

EXCLUDED Payroll Cost:

1. Compensation of an individual employee in excess of an annual salary of \$100,000 (note: employer contributions to healthcare and retirement benefits are not part of amount deemed in excess of \$100,000 annual salary)
2. Employer portion of payroll taxes
3. Any compensation of an employee whose principal place of residence is outside of the United States
4. Qualified sick leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act (Public Law 116–5 127); or qualified family leave wages for which a credit is allowed under section 7003 of the Families First Coronavirus Response Act



NON SEASONAL EMPLOYERS:

Maximum loan =

2.5 X Average total monthly payroll costs incurred during 2019 or one year prior to the loan date

For businesses not operational in 2019:

2.5 X Average total monthly payroll costs incurred for January and February 2020

SEASONAL EMPLOYERS:

Maximum loan =

2.5 X Average monthly payroll for an 8-week period between February 15 or March 1, 2019 and June 30, 2019

- **Payments deferred for six months**
- **1.00% fixed interest rate**
- **Loan is due in two years**

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Will this loan be FORGIVEN?

Borrowers are eligible to have their loans forgiven.

How Much?

A borrower is eligible for loan forgiveness equal to the amount the borrower spent on the following items during the 8-week period beginning on the date of the origination of the loan:

- Payroll costs (using the same definition of payroll costs used to determine loan eligibility)
- Interest on the mortgage obligation incurred in the ordinary course of business
- Rent and utility payments
- Interest on other debt obligations incurred before February 15, 2020

NOTE: Not more than 25% of the forgiven amount may be for non-payroll costs.

How could the forgiveness be reduced?

The amount of loan forgiveness calculated above is reduced if there is a reduction in the number of employees or a reduction of greater than 25% in wages paid to employees. Specifically:

Reduction based on reduction of number of employees



PAYROLL COST
Calculated on page 2

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Average Number of Full-Time Equivalent Employees (FTEs) Per Month for the 8-Weeks Beginning on Loan Origination

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Option 1:

Average number of FTEs per month from February 15, 2019 to June 30, 2019

Option 2:

Average number of FTEs per month from January 1, 2020 to February 29, 2020

For Seasonal Employers:

Average number of FTEs per month from February 15, 2019 to June 30, 2019

Reduction based on reduction in salaries



PAYROLL COST
Calculated on page 2

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For any employee who did not earn during any pay period in 2019 wages at an annualized rate more than \$100,000, the amount of any reduction in wages that is greater than 25% compared to their most recent full quarter.

What if I bring back employees or restore wages?

Reductions in employment or wages that occur between February 15, 2020 and April 26, 2020 (as compared to February 15, 2020) shall not reduce the amount of loan forgiveness **IF** by June 30, 2020 the borrower eliminates the reduction in employees or reduction in wages.

WHAT'S NEXT?

Look out for more information about eligible lenders and additional guidance from the SBA soon.

For more guidance and resources for small businesses, visit uschamber.com/co

Private lenders will ultimately issue PPP loans based on guidance from the SBA and Treasury Department. More information, including from lenders, should be available once the guidance is issued.