

\$2 TRILLION FEDERAL STIMULUS PACKAGE PASSED ON MARCH 27, 2020

Frequently Asked Questions as of 4/2/20



Empire State
Development

PAYCHECK PROTECTION PROGRAM (PPP)

As part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), **the Paycheck Protection Program (PPP)** provides \$349 billion of loan funds to support small businesses and other eligible entities impacted by COVID-19 to pay workers, interest on mortgage obligations, rent, insurance, paid sick or medical leave, utilities, and payroll related costs incurred from February 15, 2020 – June 30, 2020.

- Eligible applicants can apply for a PPP loan, up to a maximum of \$10 million, from participating lenders. Loan amounts are based 2.5 times monthly average payroll costs.
- Up to eight weeks of eligible expenses during the covered period can be forgiven from the loan principal as long as the employer maintains previous payroll counts during this emergency.
- PPP loan repayments will be deferred for six months.
- Interest rates associated with PPP loans will be at a maximum 1% per annum.
- There will be no fees for borrowers to apply.
- There are not collateral requirements or personal guarantees for the loan.
- SBA credit elsewhere test does not apply to this loan.
- All PPP loans are federally guaranteed by the SBA 100%.
- Lenders will be able to take applications starting on April 3, 2020.
- Application form can be found at: <https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Application-3-30-2020-v3.pdf>

When can I apply for PPP?

- Starting on April 3, lenders will start accepting applications and loans can be made until June 30, 2020.

Who is eligible and can apply for PPP?

- A small business with less than 500 employees (or a business in an industry that has an *employee*-based size standard through SBA that is higher than 500 employees); or
 - The SBA size standards show by NAICS code for each type of business: <https://www.sba.gov/size-standards>.
- 501(c)(3) nonprofit with less than 500 employees; or
- 501(c)(19) veteran's organization with less than 500 employees; or
- Tribal business concern described in section 31(b)(2)(C) of the Small Business Act with less than 500 employees; or
- A restaurant, hotel, or a business that falls within the North American Industry Classification System (NAICS) code 72, "Accommodation and Food Services," and each of the locations has less than 500 employees; or
- Businesses in the hospitality and restaurant industries, franchises that are approved on the SBA's Franchise Directory; or
- Businesses with financial assistance from Small Business Investment Company (SBIC) program; or
- Sole-proprietors, independent contractors, and other self-employed individuals.

How long will this program last?

- Although the program is open until June 30, 2020, we encourage you to apply as quickly as you can because there is a funding limit on the program.

What are eligible expenses under PPP?

- Payroll costs (see question below for more details), including benefits;
- Interest on mortgage obligations (not principal) incurred before February 15, 2020;
- Rent, under lease agreements in force before February 15, 2020; and

For more information, please visit esd.ny.gov

- Utilities, for which service began before February 15, 2020.

What is included in Payroll Costs?

- Salary;
- Wages;
- Commissions or tips (capped at \$100,000 on an annualized basis for each employee);
- Employee benefits including: costs for vacation, parental, family, medical, or sick leave;
- Allowance for separation or dismissal;
- Payments required for the provisions of group health care benefits including insurance premiums;
- Payment of any retirement benefit;
- State and local taxes assessed on compensation; and
- For a sole proprietor or independent contractor, wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis for each employee

What costs are not eligible for payroll?

- Employee/owner compensation over \$100,000.
- Taxes imposed or withheld under chapters 21, 22, and 24 of the IRS code.
- Compensation of employees whose principal place of residence is outside of the U.S.
- Qualified sick and family leave for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act.

Do I have to be operational to apply?

- Yes, entities must have been operational by February 15, 2020 and had payroll and paid taxes.

Where can I apply for PPP loan?

- All current SBA 7(a) are eligible lenders for PPP.
- You should consult with your local lender as to whether it is participating.
- The list of lenders can be found on <https://www.sba.gov/paycheckprotection/find>
- Additional lenders with sufficient qualifications are will be added by SBA and the U.S. Department of the Treasury.
- You do not have to visit any government institution to apply for the program.

How do I apply for PPP Loan?

- You will need to fill out the Paycheck Protection Borrower Application Form (SBA Form 2483).
- Provide documentation with required documentation of payroll to an approved lender. The form can be found at: <https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Application-3-30-2020-v3.pdf>

What is the required documentation that I need to provide?

- You will need to provide your lender with payroll documentation.

Who approves my PPP loan?

- The lender will approve your loan application.

What is the time period covered under the PPP?

- The covered loan period is from February 15, 2020 to June 30, 2020.

What is the maximum loan amount under the PPP?

- The maximum loan amount is up to \$10 million.
- There is a formula to determine the loan amount that is related to payroll costs incurred by the business.

How is the loan size determined?

- Depending on your business's situation, the loan size will be calculated in different ways (see below). The maximum loan amount is \$10 million.
 - For most business, the formula is based on 2.5 times your average monthly costs minus exclusion based on the previous 12 months.
 - If your business employs seasonal workers, you can opt to choose March 1, 2019 as your time period start date.
 - If you were not in business between February 15, 2019 – June 30, 2019: Your max loan is equal to 2.5 times your average monthly

- payroll costs between January 1, 2020 and February 29, 2020.
- If you took out an Economic Injury Disaster Loan (EIDL) between February 15, 2020 and April 3, 2020 and can refinance that EIDL loan amount into a PPP loan. You would add the outstanding loan amount to the payroll sum minus EIDL grant.

What fees will I need to pay in order to apply for PPP?

- PPP waives borrower and lender fees payable to SBA.

Can I still apply for PPP if I can obtain credit elsewhere?

- Yes. Credit elsewhere requirements are waived for this PPP.

What certifications will I need to provide in order to apply for PPP?

- Borrower must certify in good faith that funds are needed for COVID-19 related purposes, that the funds will be used to retain workers, and that their request is not duplicative with other SBA funds for the same purpose.
- Other certifications are included in the borrower application: <https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Application-3-30-2020-v3.pdf>

Is there a collateral or personal guarantee requirement for PPP?

- No. Both collateral and personal guarantees are waived.

What is the interest on PPP loans?

- Interest rate will be 1% per annum.

What is the maturity of PPP loans?

- PPP loans will mature in 2 years.

Is there a prepayment penalty or fee on PPP?

- No. There are no prepayment fees or penalty.

Are there deferred payments allowed under PPP?

- Loan payments will be deferred for 6 months. Interest will still accrue during the deferment

Can I get more than one PPP loan?

- No, an entity is limited to one PPP loan. Each loan will be registered under a Taxpayer Identification Number at SBA to prevent multiple loans to the same entity.

Is any portion of the PPP loan forgivable?

- Yes. Amount spent by borrower in the first 8 weeks for allowable expenses from loan date will be forgiven with appropriate documentation provided to the lender.
- Amount will be reduced proportionately by the reductions in workforce as compared to the previous year.
- If rehires are made during the 8-week period, then there will be no penalty in reflection of possible layoffs early in the 8-week period.
- There is 25% limitation for forgiveness on non-payroll costs.

How much is the loan guarantee provided by SBA to lenders under the Program?

- 100% loan guarantee.

What happens to my PPP loan after December 31, 2020?

- Anything not forgiven or repaid by December 31, 2020 will convert to a 1% per annum loan for 2-year term.

How does the PPP loan coordinate with SBA's existing loans?

- Borrowers may apply for PPP loans and other SBA financial assistance, including Economic Injury Disaster Loans (EIDLs), 7(a) loans, 504 loans, and microloans, and also receive investment capital from Small Business Investment Corporations (SBICs).

- However, you cannot use your PPP loan for the same purpose as your other SBA loan(s). For example, if you use your PPP to cover payroll for the 8-week covered period, you cannot use a different SBA loan product for payroll for those same costs in that period, although you could use it for payroll not during that period or for different workers.

LOAN FORGIVENESS FOR PAYCHECK PROTECTION PROGRAM (PPP)

The Act establishes that PPP borrowers are eligible for loan forgiveness equal to the amount spent by the borrower for allowable expenses during an 8-week period after the loan date of the PPP loan.

What can be included in the PPP loan forgiveness amount?

- Payroll costs (see question below for more details), including benefits;
- Interest on mortgage obligations (not principal) incurred before February 15, 2020;
- Rent, under lease agreements in force before February 15, 2020; and
- Utilities, for which service began before February 15, 2020.

What is included in Payroll Costs?

- Salary;
- Wages;
- Commissions or tips (capped at \$100,000 on an annualized basis for each employee);
- Employee benefits including: costs for vacation, parental, family, medical, or sick leave;
- Allowance for separation or dismissal;
- Payments required for the provisions of group health care benefits including insurance premiums;
- Payment of any retirement benefit;
- State and local taxes assessed on compensation; and
- For a sole proprietor or independent contractor, wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis for each employee

What is the maximum amount of PPP loan that can be forgiven?

- The maximum amount that can be forgiven is the principal amount of the loan and any accrued interest.

How is PPP loan forgiveness calculated?

- PPP Loan forgiveness equals the sum of payroll costs incurred during the covered 8-week period compared to the previous year or time period,

proportionate to maintaining employees and wages:

- Payroll costs plus any payment of interest on any mortgage obligation (which shall not include any prepayment of or payment of principal on a covered mortgage obligation) plus any payment on any rent obligation and any utility payment.
- The amount forgiven will be reduced proportionally by any reduction in employees retained compared to the prior year and reduced by the reduction in pay of any employee beyond 25 percent of their prior year compensation.
- To encourage employers to rehire any employees who have already been laid off due to the COVID-19 crisis, borrowers that re-hire workers previously laid off will not be penalized for having a reduced payroll at the beginning of the period. Further, forgiveness is allowed for additional wages paid to tipped workers.
- Additional guidance will be provided by the SBA and U.S Department of the Treasury.

What percentage of my forgiven PPP loan amount can be used for non-payroll expenses?

- No more than 25% of the forgiven amount may be for non-payroll costs.

What proof do I need to submit to my lender to qualify for PPP loan forgiveness?

- Borrowers will provide documentation to lenders of their payments during the period such as payroll records, proof of lease payments, proof of mortgage interest payments, and proof of utility payments.
- Proof of payment can be a bank statement or canceled checks.
- You must certify that the documents are true and that you used the forgiveness amount to keep employees and make eligible mortgage interest, rent, and utility payments.

When will my PPP loan be approved for forgiveness?

- The borrower must make a request to the lender for forgiveness by providing documentation of payments made under the covered period.
- The lender has 60 days to review and approve the request for forgiveness.

What happens to the portion of my PPP loan that is not forgiven?

- Any loan amounts not forgiven at the end of one year is carried forward as an ongoing loan with terms of 2 year at 1% interest per annum.
- 100% loan guarantee remains intact from the SBA.