

FROM THE WEALTH
STRATEGY GROUP

About \$310 billion of the funds will replenish the Paycheck Protection Program (PPP) and approx. \$60 billion to the Economic Injury Disaster Loan Program (EIDL).

The CARES Act: Government Relief for Business Owners

The following information is intended to help business owners with information related to the Paycheck Protection Program (PPP) loans offered through the Small Business Administration (SBA) and Economic Injury Disaster Loans (EIDL) and Emergency Grants.

We encourage business owners to work with their local business lenders, CPAs and business lawyers to engage them for assistance in preparing the PPP application and supporting documentation. All loan terms will be the same for everyone regardless of the lender facility they use.

On Friday, April 24, 2020, President Trump signed into law a \$484 billion coronavirus stimulus bill that includes a provision allocating about \$370 billion toward the loan programs for small businesses cited below. About \$310 billion of the funds will replenish the Paycheck Protection Program (PPP) and approx. \$60 billion to the Economic Injury Disaster Loan Program (EIDL).

Paycheck Protection Program (PPP)

Section 1102 of the CARES Act creates a new lending program ("Paycheck Protection Program" or "PPP"). The program authorizes up to \$349 billion toward job retention and certain other expenses during the COVID-19 crisis.

- » Provides low-interest loans to certain small businesses (500 or fewer employees) and self-employed individuals, independent contractors, eligible nonprofit organizations, Veterans organizations and Tribal businesses described in the Small Business Act.
 - For eligibility of a seasonal business, a lender may consider whether the business was in operation on February 15, 2020 or for an eight-week period the previous year, between February 15, 2019 and June 30, 2019
- » The program is intended to help cover payroll and other eligible expenses for an eight-week period.
- » Payments on PPP loans are deferred for at least six-months and no more than 12 months. Interest will accrue over this period. The interest rate is 1% fixed rate.
- » No collateral or personal guarantees are required.
- » Neither the government nor lenders will charge any fees.

- » The maximum loan that a business may receive is equal to 2.5 times its average monthly payroll costs for the previous calendar year, up to \$10 million.
 - The employer share of employer taxes (FICA) may not be used in payroll costs for determining the maximum loan amount and PPP loan amounts may not be used to satisfy the employer share of taxes. (clarified by the U.S. Treasury Department as of April 7, 2020)
- » Loans will be forgiven to the extent the use of the funds are for eligible expenses and direct maintenance / continuance of the workplace.
 - Payroll costs are capped at \$100,000 on an annualized basis for each employee.
 - Payroll costs includes:
 - Salary, wages, commissions or tips
 - Employee benefits including costs for vacation, parental, family, medical or sick leave, allowance for separation or dismissal; payments required for the provisions of health care benefits including insurance premiums; and payment of any retirement benefit.
 - For purpose of loan forgiveness, no more than 25% of loan proceeds may be used for non-payroll expenses such as rent, mortgage interest and utilities as follows:
 - Interest on mortgage obligations, incurred before February 15, 2020
 - Rent under lease agreements in force before February 15, 2020
 - Utilities for which services began before February 15, 2020
 - Forgiveness is based on the employer maintaining or rehiring employees and maintaining salary levels.
 - **Number of Staff:** loan forgiveness will be reduced if there is a decrease of full-time employee headcount
 - **Level of Payroll:** loan forgiveness will be reduced if there is a decrease in salary and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019
 - **Re-hiring:** There is an open window through June 30, 2020 to restore full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.

Loan PPP applications dates:

- » April 3, 2020 – for small business
- » April 10, 2020 – for self-employed individuals
- » Application period ends June 30, 2020 or when all the funds have been committed, whichever is earlier.
- » Payroll documentation will be required.
- » Only one loan per program.
- » Lenders are permitted to rely on borrower's certifications.

Economic Injury Disaster Loans (EIDL) and Emergency Grants

Section 1110 of the CARES Act modifies and waives certain terms and conditions related to Economic Injury Disaster Loans (EIDL). This is a pre-existing Small Business Administration (SBA) loan program. (<https://www.sba.gov/funding-programs/disaster-assistance>).

COVID-19 EIDLs:

- » Provide for an emergency advance ("a grant") of up to \$10,000; the maximum amount an applicant can receive
 - It allows business owners to receive help while the SBA application is in process.
 - The grant must be officially requested in the EIDL application (just check the box in the SBA application to be considered for the advance)
 - The advance was written into law as a grant, and it does not need to be repaid, even if the application is ultimately rejected. There will be no interest collected. However, it will be subtracted from the total loan amount approved.
- » The maximum loan is \$2 million with exact amount based on economic injury suffered.
- » It is available to businesses with no more than 500 employees
- » It requires the borrower to authorize the SBA to request transcripts for the last two years of tax returns for both the business and business owner(s). (Form 4506-T).
- » The SBA requires basic business information related to the type of organization, EIN and business name. In addition, it requires gross revenues and cost of goods sold for the 12 months prior to January 31, 2020.
- » The SBA collects the information from all qualified entities that are impacted by COVID 19
- » The SBA is relying upon the self-certifications in the application, which is subject to penalty of perjury for any misstated information pursuant to 28 U.S.C. 1746
- » The loan application can be found on the SBA website (<https://covid19relief.sba.gov>).
- » If a business received an EIDL from 1/31/2020 - 4/3/2020, it can still apply for a PPP loan.
 - If the EIDL was used for payroll costs, the PPP loan must be used to refinance the EIDL.
 - Funds received from an emergency grant will be deducted from the loan forgiveness amount on the PPP loan.

We encourage business owners to review their business situation and consult with their tax advisors before applying for a loan. If a loan is needed, applying for the funds as soon as possible may be prudent.

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