



# What You Need to Know About the SBA's Paycheck Protection Program

Presented by:  
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# About GTM

- Human Capital Management (HCM) solution for businesses across all sectors and sizes
- Founded in 1991
- More than 70 employees: certified payroll professionals, licensed insurance brokers, PHR-certified HR managers, employment tax experts, and CPAs
- iSolved Partner: Latest HCM technology solution
  - Unified solution for HR, onboarding, payroll, benefits, time and attendance, ACA reporting, and more

# About Our Speakers



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Senior Director of Marketing and  
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# About the Paycheck Protection Program (PPP)

- Created by the CARES Act; signed into law Friday, March 27
- \$367 billion federally guaranteed loan program for small businesses
- Emergency business loans available retroactive to February 15 and through June 30
- Loans will be equal to about ten weeks of payroll costs

# About the PPP Business Loans

- **Friday, April 3:** Small businesses and sole proprietorships able to apply for loans through existing SBA lenders.
- **Friday, April 10:** independent contractors and self-employed individuals can apply for through existing SBA lenders.

# About the PPP Business Loans

- Loans can be forgiven if the business:
  - uses the loan funds for approved purposes
  - 75% of loan funds must be used for payroll costs
  - maintains the average size of its full-time workforce
- Need to be operating on February 15, 2020

# Economic Injury Disaster Loan (EIDL)

- CARES Act broadened eligibility and increased funds
- Available to businesses that have been “severely” economically injured by the COVID-19 pandemic
- Business may utilize both EIDL and PPP loans
- Available to small businesses and non-profits
- Deadline to apply is December 31, 2020

# Comparing EIDL and PPP

## EIDL

- Low-interest loans for working capital to small businesses suffering substantial economic injury due to COVID-19
- Available to any small business or private nonprofit organization that meets SBA's Size Standard that has suffered substantial economic injury due to COVID-19
- Covers Jan 31 - Dec 31, 2020

## PPP

- Low-interest loans to pay payroll costs
- Available to any business in operation before February 15, 2020, that has fewer than 500 employees or otherwise meets the SBA's existing Size Standard.
- Loan may be forgivable if certain criteria are met
- Covers Feb 15 - Jun30, 2020



# PPP Loan Usage

- Costs to retain workers and maintain payroll
- Health care benefits, including paid sick, medical, or family leave, and insurance premiums
- Mortgage interest obligations
- Rent obligations
- Utility payments
- Interest on any other debt obligations incurred prior to February 15, 2020

# Eligibility for a PPP Loan

- Small businesses, non-profits [501(c)(3)], tribal businesses, and veterans' organizations [501(c)(19)] are eligible
  - Have fewer than 500 employees or the applicable SBA size standard for the industry
- Franchises: 500-employee rule applied to each physical location
- Sole proprietors, self-employed individuals, and independent contractors

# Evaluating Eligibility

- Uncertainty of current economic conditions makes the loan request necessary to support ongoing operations
- Loan proceeds will be used to retain workers and maintain payroll or make mortgage, lease, and utility payments
- No application pending for a loan duplicative of the purpose and amounts applied for through the PPP
- From Feb. 15, 2020 to Dec. 31, 2020, have not received a loan duplicative of the purpose and amounts applied for through the PPP

# Evaluating Eligibility

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

# Maximum Loan for Non-Seasonal Employers

- For businesses operational in 2019  
**2.5 x average total monthly payroll costs**  
incurred during the 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
- Not to exceed \$10 million

# Maximum Loan for Seasonal Employers

**2.5 x average total monthly payroll costs**  
for the 12-week period beginning February 15, 2019 or  
March 1, 2019 (decided by the loan recipient) and ending  
June 30, 2019

Not to exceed \$10 million

# Payroll Costs to Include

Payroll costs include the total payments for employee compensation from:

- salaries, wages, commissions, or similar compensation
- cash tip or equivalent payments
- vacation, parental, family, medical, or sick leave payments
- dismissal or separation allowances
- group health care benefits, including insurance premium payments
- retirement benefit payments
- state or local taxes assessed on the compensation of the employee

# Payroll Costs to Exclude

Payroll costs do not apply to the following:

- Individual employee compensation in excess of an annual salary of \$100,000, as prorated for the period February 15 to June 30, 2020
- Payroll taxes, income taxes, or railroad retirement taxes
- Compensation of employees that principally reside outside the United States
- Qualified sick and family leave credits allowed under the Families First Coronavirus Response Act sections 7001 and 7003



# How to calculate average monthly payroll costs



# About PPP Loan Forgiveness

- Loans may be forgiven for an 8-week period after the loan date
- Based on employment and wage levels maintained by employers
- Apply through your lender with:
  - Documentation verifying the number of employees on payroll and pay rates
  - Documentation verifying payments on covered mortgage obligations, lease obligations, and utilities
  - Certification from a representative of your business or organization that the documentation provided is true

# PPP Loan Forgiveness Amount

- Equal to the sum of these costs during the 8-week period:
  - Payroll (compensation above \$100,000 excluded)
  - Payment of interest on mortgage obligation
  - Rent obligations
  - Utility payments
- The loan forgiveness amount will be proportionally reduced
  - If average employee count declines during the covered period as compared to the same period in 2019

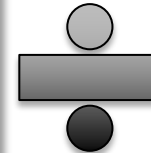
# PPP Loan Forgiveness Reduction

Reduction based on reduction of number of employees

Total  
Payroll  
Costs



Average Number of  
FTEs per Month for  
the 8-Weeks  
Beginning on Loan  
Origination



## 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

# PPP Loan Forgiveness Reduction

Reduction based on reduction in salaries

Total  
Payroll  
Costs



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.

# Bringing back employees or restoring wages

- Reductions in employment or wages that occur between February 15, 2020 and 30 days after enactment of the CARES Act won't reduce the amount of loan forgiveness if by June 30, 2020 you eliminate the reduction in employees or wages.

# Deferral of Employer Social Security taxes

- CARES Act allows employers to defer payment of 6.2% of employer Social Security taxes through December 31, 2020
- Deferral is *not* available to employers receiving assistance through the Paycheck Protection Program

# Information Needed to Apply

- Completed and SIGNED SBA PPP Application
- Schedule of ownership (names and percentages) for the applicant.
- Beneficial Ownership & Joint Intent forms
- 2019 IRS 940, 941 or 944 payroll tax reports; if 941, all 4 quarterly reports are required



# Information Needed to Apply

- Payroll reports
- Documentation showing total of all health insurance premiums paid by the company owner under a group health plan
- Document the sum of all retirement plan funding that was paid by the company

# How to Apply

- Apply through your current lender or bank
- Application for borrowers:  
[https://www.sba.gov/sites/default/files/2020-03/Borrower%20Paycheck%20Protection%20Program%20Application\\_0.pdf](https://www.sba.gov/sites/default/files/2020-03/Borrower%20Paycheck%20Protection%20Program%20Application_0.pdf)
- SBA will:
  - Review your credit
  - Conduct its own inspection to verify your losses
- If eligible, SBA will send a loan closing document for your signature

# How Your Payroll Provider Can Help

- Payroll register report
- Year-end and quarterly tax returns

# Seek Professional Guidance

- Several tax credit and loan programs available to employers
- Consult with a legal and/or tax professional to determine program that best meets your needs and circumstances
- Rely on the SBA and lending institution for assistance with application and latest information

# Resources for Small Businesses

- US Dept of Treasury Assistance for Small Businesses  
<https://home.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses>
- Paycheck Protection Program Application Form  
<https://www.sba.gov/document/sba-form--paycheck-protection-program-borrower-application-form>

# Resources for Small Businesses

- COVID-19 Payroll and HR Resources  
<https://gtm.com/business/resource-center/checklist-and-guide-library/covid-19-payroll-hr-resources/>
- GTM Business Blog  
<https://gtm.com/business/blog/>

# Resources for Small Businesses

- Coronavirus Emergency Loans Small Business Guide and Checklist  
<https://gtm.com/business/wp-content/uploads/Small-Business-Guide-Coronavirus-Emergency-Loans.pdf>
- Small Business Owner's Guide to the CARES Act  
<https://gtm.com/business/wp-content/uploads/Small-Business-Owners-Guide-CARES-Act.pdf>

# Questions



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