

UTAH ECONOMIC RESPONSE TASK FORCE

Paycheck Protection Program & Disaster Loan FAQs

Paycheck Protection Program FAQs

Eligibility

Q: I am an independent contractor or gig economy worker, am I eligible?

A: Yes. Sole proprietors, independent contractors, gig economy workers, and self-employed individuals are all eligible for the Paycheck Protection Program.

Loan Terms

Q. What qualifies as “payroll costs?”

Payroll costs consist of compensation to employees (whose principal place of residence is the United States) in the form of salary, wages, commissions, or similar compensation; cash tips or the equivalent (based on employer records of past tips or, in the absence of such records, a reasonable, good-faith employer estimate of such tips); payment for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement; payment of state and local taxes assessed on compensation of employees; and for an independent contractor or sole proprietor, wage, commissions, income, or net earnings from self-employment or similar compensation.

Q: Can a company include pay to 1099 Contract workers as part of payroll when calculating the PPP loan value?

A: No. The payroll value used in the 2.5X calculation for PPP loan values excludes payments from a small business to a 1099 contract worker. The 1099 contract worker may on his or her own file for a PPP loan.

Note: For a sole proprietor or independent contractor, the total wages, commissions, income, or net earnings from self-employment are capped at \$100,000 on an annualized basis.

Q. Is there anything that is expressly excluded from the definition of payroll costs?

Yes. The Act expressly excludes the following:

i. Any compensation of an employee whose principal place of residence is outside of the United States;

Note: This will include J-1 and H2A workers

ii. The compensation of an individual employee in excess of an annual salary of \$100,000, prorated as necessary;

iii. Federal employment taxes imposed or withheld between February 15, 2020 and June 30, 2020, including the employee's and employer's share of FICA (Federal Insurance Contributions Act) and Railroad Retirement Act taxes, and income taxes required to be withheld from employees; and

iv. Qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act (Public Law 116–127).

Q: How much of my loan will be forgiven?

A: The amount of loan forgiveness can be up to the full principal amount of the loan and any accrued interest. That is, the borrower will not be responsible for any loan payment if the borrower uses all of the loan proceeds for forgivable purposes described below and employee and compensation levels are maintained.

Stated simply, loan funds spent on eligible expenses (payroll costs, rent, utilities, mortgage interest) over the eight weeks after receiving the loan are eligible for forgiveness, up to the entire loan amount.

Important: The non-payroll portion of the forgivable loan amount is limited to ensure program resources are devoted primarily to payroll. Not more than 25 percent of the loan forgiveness amount may be attributable to non-payroll costs.

Impact: Businesses that receive a PPP loan, but wait until June 30th to hire back employees will find that the forgivable amount will be severely decreased. Only expenditures made during the 8 weeks after receiving the loan are eligible for forgiveness. If payroll costs are minimized during those 8 weeks, the forgiveness amount will also be minimized.

Example: Acme Company's average monthly payroll is \$40,000. They have not received an EID loan and pay no employee more than \$100,000 in total compensation. Acme Co. qualifies for a \$100,000 PPP loan (2.5*\$40,000). In the 8 weeks after receiving the loan, Acme spends \$70,000 on payroll and other eligible expenses. This includes \$30,000 for each 4-week period on compensation (i.e., \$60,000 on compensation for 8 weeks) plus \$10,000 on other eligible expenses. Compensation is down from \$40,000 per month to \$30,000 per month as the result of layoffs Acme made in late February and left in place after receiving the loan. In this example, only \$75,000 (75% or \$60,000/\$80,000) of the \$100,000 loan will be forgiven.

The purpose of the Paycheck Protection Program is to help businesses retain their employees, at their current base pay. If they keep all of their employees, the entirety of the loan will be forgiven. If they still lay off employees, the forgiveness will be reduced by the percent decrease

in the number of employees. If their total payroll expenses on workers making less than \$100,000 annually decreases by more than 25 percent, loan forgiveness will be reduced by the same amount. If they have already laid off some employees, they can still be forgiven for the full amount of their payroll cost if they rehire their employees by June 30, 2020.

Note: Loan forgiveness will be provided for the sum of “documented” payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the 8-week period. If you laid off employees from 2/15/20 through 4/26/20 and bring them back before 6/30/20, there will be no reduction in your forgiveness for “actual, documented” costs. But your “actual, documented” costs will not include the salary and benefits for those employees that were laid off for a few weeks because you didn’t incur them. If you don’t bring the laid-off employees back by 6/30/20, your “actual, documented” costs will be reduced by a percentage to determine the forgiveness amount.

How to Apply

Q: Where can I apply for the Paycheck Protection Program?

A: You can apply for the Paycheck Protection Program (PPP) at any lending institution that is approved to participate in the program through the existing U.S. Small Business Administration (SBA) 7(a) lending program and additional lenders approved by the Department of Treasury. This could be the bank you already use, or a nearby bank. There are thousands of banks that already participate in the SBA’s lending programs, including numerous community banks. You do not have to visit any government institution to apply for the program. You can call your bank or find SBA-approved lenders in your area through SBA’s online [Lender Match](#) tool. You can call your local [Small Business Development Center](#) or [Women’s Business Center](#) and they will provide free assistance and guide you to lenders.

Q: Can you explain “x” in the application and/or help me fill it out?

A: RRT members should refer these questions to SBA’s resource partners. You can refer them to Jason Yerka, SBDC Asst State Director, jason.yerka@usu.edu. The Small Business Development Centers are there to help fill-in applications and are eager to help. Put the Trello card in the "Resolved: Referred to SBA Partner" list.

Economic Injury Disaster Loans FAQs

Eligibility

Q: If I get an EIDL and/or an Emergency Economic Injury Grant, can I get a PPP loan?

A: Whether you’ve already received an EIDL unrelated to COVID-19 or you receive a COVID-19 related EIDL and/or Emergency Grant between January 31, 2020 and June 30, 2020, you may also apply for a PPP loan. If you ultimately receive a PPP loan or refinance an EIDL into a PPP loan, any advance amount received under the Emergency Economic Injury Grant Program would be subtracted from the amount forgiven in the PPP. However, you cannot use your EIDL for the same purpose as your PPP loan. For example, if you use your EIDL to cover payroll for certain workers in April, you cannot use PPP for payroll for

those same workers in April, although you could use it for payroll in March or for different workers in April.

How to Apply

Q: I am unfamiliar with the EIDL process, can anyone help me apply?

A: Yes, SBA resource partners are available to help guide you through the EIDL application process. You can find the nearest Small Business Development Center (SBDC), Women's Business Center, or SCORE mentorship chapter at <https://www.sba.gov/local-assistance/find/>.

Q: I have applied for an EIDL but have not heard back, what do I do?

The SBA is currently (as of 4/3/2020) backlogged with EIDL applications. It's likely you won't receive a loan approval quickly. You can check on the status of your application by contacting the SBA disaster assistance customer service center at 1-800-659-2955 (TTY: 1-800-877-8339) or by sending an email to disastercustomerservice@sba.gov

Q: I have applied for an EIDL but would like to request the \$10k advance, what do I do?

You will need to reapply for the EIDL loan through the SBA website and request the advance on page 4 of the application. The SBA has assured applicants that they will not lose their place in line by reapplying.

PPP v. EIDL, or both?

Q. If I am applying for / received an Economic Injury Disaster Loan, is my small business eligible to participate in the Paycheck Protection Program?

- A. Borrowers can apply for both an SBA Economic Injury Disaster Loan and the Paycheck Protection Program loan. However, the Paycheck Protection Program loan funds and the Economic Injury Disaster Loan funds cannot be used for the same purpose. The Paycheck Protection Program loan must be used for payroll (minimum of 75% of the funds received) for it to be eligible for a forgivable loan and the remaining is used for different purposes. Borrowers who accept both loan funds should document the uses of the funds appropriately.

Q. If I received an EIDL before April 3rd, can I apply for a PPP loan?

- A. Yes, you are still eligible to apply for the Paycheck Protection Program even if you applied for or received an SBA Economic Injury Disaster Loan.

If your Economic Injury Disaster Loan was not used for payroll costs, it does not affect your eligibility for a Paycheck Protection Program loan.

If your Economic Injury Disaster Loan was used for payroll costs, your Paycheck Protection Program loan must be used to refinance your Economic Injury Disaster Loan. The Paycheck

Protection Program's maximum loan amount is \$10 million with a fixed 1% interest rate and maturity of two years. Economic Injury Disaster Loan assistance provides up to \$2 million loan per business and are long-term, low-interest rate at 3.75% for businesses and 2.75% for non-profits and a maturity of up to 30 years

Any advance up to \$10,000 on the Economic Injury Disaster Loan will be deducted from the loan forgiveness amount of the Paycheck Protection Program loan.

For example, a borrower may obtain a loan from the Paycheck Protection Program and use those funds to pay for 8 weeks of payroll or employee retention. They may wish to then dedicate their entire EIDL funds towards working capital, notes payable and accounts payable that do not duplicate the funds provided through the Paycheck Protection Program. If the EIDL loan was used for payroll expenses, the borrower must refinance the EIDL loan with the PPP loan which carries a lower interest rate as well as a shorter maturity period.

Q. Must I choose between an EIDL and a PPP loan?

- A.** Select the loan program that best meets your individual business needs; however, you are not permitted to hold funds from both programs for the same purpose.

The PPP loan has different terms from the EIDL loan. The Paycheck Protection Program's maximum loan amount is \$10 million with a fixed 1% interest rate and maturity of two years.

Economic Injury Disaster Loan assistance provides up to \$2 million loan per business and are long-term, low-interest rate at 3.75% for businesses and 2.75% for non-profits and a maturity of up to 30 years

The application period for PPP loans runs through June 30, 2020, but the EIDL application period runs through December 2020. If you have working capital need beyond what is provided by PPP, you can apply for additional assistance through the EIDL program.

If you are applying for both, you can accept PPP first – then decide whether to close on your EIDL approved loan. An EIDL approved loan may be closed within 60 days, and the borrower can choose whether to close on the loan. The EIDL application period runs through Dec. 2020.

Q: If I have applied for or received an Economic Injury Disaster Loan (EIDL) related to COVID- 19 before the Paycheck Protection Program became available, will I be able to refinance into a PPP loan?

A: Yes. If you received an EIDL loan related to COVID-19 between January 31, 2020, and the date at which the PPP becomes available, you would be able to refinance the EIDL into the PPP for loan forgiveness purposes. However, you may not take out an EIDL and a PPP for the same purposes. Remaining portions of the EIDL, for purposes other than those laid out in loan forgiveness terms for a PPP loan, would remain a loan. If you took advantage of an emergency EIDL grant award of up to \$10,000, that amount would be subtracted from the amount forgiven under PPP.

Q: What does it mean to rollover an EIDL loan into a PPP loan? How does receiving an EIDL grant impact the forgiveness of the PPP loan?

A: For EIDL loans made before 4/3/2020, “rollover” means that the PPP loan will be calculated as the sum of 2.5x payroll + the value of the old EIDL loan. Forgiveness is then just simply determined according to the PPP Loan rules and covers the full value of the PPP loan.