

## **What is the Paycheck Protection Program (PPP)?**

The PPP provides small businesses with funds to pay up to 8 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities. The goal of the loan is to keep employees off unemployment.

## **How can I use the money?**

The PPP provides small businesses with forgivable loans of up to \$10 million per company (8 weeks of payroll) for:

- Payroll costs including benefits
- Salary, wages, commissions, or tips (capped at \$100,000 per 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; and payment of any retirement benefit
- State and local taxes assessed on compensation
- For a sole proprietor with no other employees: Schedule C, Line 41 will reflect owner's salary (capped at \$100,000)
  
- Interest on a mortgage (not prepayment of or payment on principal) or on rent
- Utility payments

Note: In order to be forgiven, you must use 75% or more of the loan on payroll costs.

## **Who is eligible?**

To be eligible, you must be in operation as of February 15, 2020 and one of the following:

- A small business, as defined by the SBA, with 500 or fewer employees
- Sole proprietors, the self-employed, and independent contractors
- Certain nonprofits also qualify

## **How soon do you have to use funds?**

You must use the money in the 8 weeks after you've received it. Businesses must rehire as soon as possible, by no later than June 30, 2020. Employees should receive benefits from this program, even if they are not working. Even if your doors are still closed, you should put employees back on the payroll ASAP to receive loan forgiveness.

## **How much of the loan is forgiven?**

If you do not maintain staff or reduce salaries, you will not receive full forgiveness.

- Number of Staff: Your loan forgiveness will be reduced if you decrease your employee headcount.

- Level of Payroll: Your loan forgiveness will also be reduced if you decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019.
- Re-Hiring: You have until June 30, 2020 to restore your employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.

### **What are the loan terms?**

The interest rate is 1% fixed rate. All payments are deferred for 6 months, though interest will accrue during this period. The loan is to be repaid in 2 years, with no prepayment penalties. You will not need to pledge any collateral to receive this loan.

### **How to Apply**

The Paycheck Protection Program is available through a participating [7\(a\) lenders](#). Small businesses can access this program starting April 3 and the self-employed such as sole proprietors and contractors can access it starting April 10. [Application form is here](#). Please note, while the program is open until June 30, 2020, there is a funding cap.

### **Calculating Payroll:**

Calculate your maximum borrow level. *Remember to include yourself in the payroll and employee count!*

#### **For Businesses with Employees:**

- Step 1: Aggregate payroll costs from the last twelve months for employees whose principal place of residence is the United States. Don't forget to include your own pay if you take an owner's draw.
- Step 2: Subtract any compensation paid to an employee in excess of an annual salary of \$100,000
- Step 3: Calculate average monthly payroll costs (divide the amount from Step 2 by 12).
- Step 4: Multiply the average monthly payroll costs from Step 3 by 2.5.
- Step 5: Add the outstanding amount of an Economic Injury Disaster Loan (EIDL) made between January 31, 2020 and April 3, 2020, less the amount of any "advance" under an EIDL COVID-19 loan (because it does not have to be repaid).

#### **For Businesses with No Employees:**

- Step 1: Find your 2019 IRS Form 1040 Schedule C Line 31 net profit amount (if you have not yet filed a 2019 return, fill it out, and compute the value). If this amount is over \$100,000, reduce it to \$100,000. If this amount is zero or less, you are not eligible for a PPP loan.
- Step 2: Calculate the average monthly net profit amount (divide the amount from Step 1 by 12).
- Step 3: Multiply the average monthly net profit amount from Step 2 by 2.5.

- Step 4: Add the outstanding amount of any Economic Injury Disaster Loan (EIDL) made between January 31, 2020 and April 3, 2020 that you seek to refinance, less the amount of any advance under an EIDL COVID-19 loan (because it does not have to be repaid).

### **Do independent contractors count as employees for purposes of loan forgiveness?**

No, independent contractors have the ability to apply for a PPP loan on their own so they do not count for purposes of a borrower's PPP loan forgiveness.

### **If I apply for a PPP, can I still apply for other SBA loans?**

Yes. However, you cannot use your PPP loan for the same purpose as your other SBA loan(s). If you received an SBA EIDL loan, you can apply for a PPP loan. If your EIDL loan was not used for payroll costs, it does not affect your eligibility for a PPP loan. If your EIDL loan was used for payroll costs, your PPP loan must be used to refinance your EIDL loan. Proceeds from any advance up to \$10,000 on the EIDL loan will be deducted from the loan forgiveness amount on the PPP loan.

### **More information on the Economic Injury Disaster Loan**

These grants provide an emergency advance of up to \$10,000 to small businesses and private non-profits harmed by COVID-19. The EIDL program also provides low-interest, long-term loans. More information [here](#).

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### **Marc Anton**



### **Certified Business Advisor**

Maine SBDC at CEI

**Location:** Wiscasset, Rockland, Belfast

**Territory:** Sagadahoc, Lincoln, Knox and Waldo Counties

**Email:** [Marc Anton](mailto:Marc.Anton@mainesbdc.org)

**Phone:** 207-573-5073