

# Extended Paycheck Protection Program FAQ's

## What documentation will borrowers need to show?

Depending on the organizational structure, borrowers will need to be prepared to show the following:

- 2019 Tax Returns
- Company By-Laws
- Articles of Incorporation
- Payroll Verification Documentation
  - 2019 IRS FORM W3
  - Third Party Payroll Provider Payroll Summary Report
  - February 2020 Bank Statement
  - IRS Form 940
  - IRS Form 941
  - Proof of Payroll Benefits

## Who is eligible to apply?

Eligible parties include:

- A small business with fewer than 500 employees
- A small business that otherwise meets the SBA's size standard
- A 501(c)(3) or non-profit with fewer than 500 employees
- An individual who operates as a sole proprietor
- An individual who operates as an independent contractor
- An individual who is self-employed who regularly carries on any trade or business
- A Tribal business concern that meets the SBA size standard
- A 501(c)(19) Veterans Organization that meets the SBA size standard

Alternatively, some special rules may make you eligible:

- If you are in the accommodation and food services sector (NAICS 72), the 500-employee rule is applied on a per physical location basis
- If you are operating as a franchise or receive financial assistance from an approved Small Business Investment - Company the normal affiliation rules do not apply

NOTE: The 500-employee threshold includes all employees: full-time, part-time, and any other status.

## How much could the typical applicant borrow?

For Employers:

- Up to 2.5 x the borrower's average monthly payroll costs, not to exceed \$10 million.

For Sole Proprietors, Independent Contractors, and Self-Employed Individuals

Up to 2.5x the sum of:

- 2019 Form 1040 Schedule C line 31 or Schedule F line 34 net profit amount (if you have not yet filed a 2019 return, fill it out and compute the value), up to \$100,000 annualized, if this amount is over \$100,000, reduce it to \$100,000, if this amount is less than zero, set this amount at zero;  
PLUS

-Eligible payroll costs paid to employees whose principal place of residence is in the United States.

### **How much can seasonal employers borrow?**

A maximum of 2.5 x Average total monthly payments for payroll costs for the 12-week period beginning February 15 and ending June 30, 2019.

### **How much can non-seasonal employers borrow?**

A maximum of 2.5 x Average total monthly payroll costs incurred during the 2019 calendar year. For businesses not operational in 2019, a maximum of 2.5 x Average total monthly payroll costs incurred for January and February 2020.

### **How are payroll payments calculated?**

Payroll payments are calculated by subtracting all "Excluded Payroll Costs" from the sum of all "Included Payroll Costs."

### **What are "Included Payroll Costs?"**

"Included Payroll Costs" are defined as follows:

For Employers:

- The sum of payments of any compensation with respect to employees that is a:
  - salary, wage, commission, or similar compensation;
  - payment of cash tip or equivalent;
  - payment for vacation, parental, family, medical, or sick leave
  - allowance for dismissal or separation
  - payment required for the provisions of group health care benefits, including insurance premiums
  - payment of any retirement benefit
  - payment of state or local tax assessed on the compensation of the employee

- For Sole Proprietors, Independent Contractors, and Self-Employed Individuals:
  - 2019 Form 1040 Schedule C line 31 or Schedule F line 34 net profit amount (if you have not yet filed a 2019 return, fill it out and compute the value), up to \$100,000 annualized, if this amount is over \$100,000, reduce it to \$100,000, if this amount is less than zero, set this amount at zero; PLUS
  - Eligible payroll costs paid to employees whose principal place of residence is in the United States.

## **What are “Excluded Payroll Costs?”**

“Excluded Payroll Costs” are defined as follows:

- Compensation of an individual employee in excess of an annual salary of \$100,000, as prorated for the period February 15 to June 30, 2020
- Payroll taxes, railroad retirement taxes, and income taxes
- Any compensation of an employee whose principal place of residence is outside of the United States
- Qualified sick leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act (Public Law 116– 5 127); or qualified family leave wages for which a credit is allowed under section 7003 of the Families First Coronavirus Response Act

## **Will these loans be forgiven?**

A borrower is eligible for loan forgiveness equal to the amount the borrower spent on the following items during the 8-week period beginning on the date of the origination of the loan:

- Payroll costs (using the same definition of payroll costs used to determine loan eligibility)
- Interest on the mortgage obligation incurred in the ordinary course of business
- Rent on a leasing agreement
- Payments on utilities (electricity, gas, water, transportation, telephone, or internet)
- For borrowers with tipped employees, additional wages paid to those employees

The loan forgiveness cannot exceed the principal.

For Sole Proprietors, Independent Contractors, and Self-Employed Individuals, the amount of loan forgiveness will depend on the total amount spent over the covered period on:

- Eligible payroll costs for W2 employees
- Owner compensation replacement, calculated based on 2019 net profit as described in Paragraph 1.b. above, with forgiveness of such amounts limited to eight weeks’ worth (8/52) of 2019 net profit, but excluding any qualified sick leave equivalent amount for which a credit is claimed under section 7002 of the Families First Coronavirus Response Act (FFCRA) (Public Law 116-127) or qualified family leave equivalent amount for which a credit is claimed under section 7004 of FFCRA

- Payments of interest on mortgage obligations
- Rent payments
- Utility payments

### **Could the amount forgiven be reduced?**

Yes. The amount of loan forgiveness calculated above is reduced if there is a reduction in the number of employees or a reduction of greater than 25% in wages paid to employees.

### **Will the amount forgiven still be reduced if the employer brings back their employees or restores wages?**

Reductions in employment or wages that occur during the period beginning on February 15, 2020, and ending 30 days after enactment of the CARES Act (as compared to February 15, 2020) shall not reduce the amount of loan forgiveness IF by June 30, 2020 the borrower eliminates the reduction in employees or reduction in wages.