The Paycheck Protection Program (PPP)

Empire State Development
As part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the Paycheck Protection Program (PPP) provides $349 billion of loan funds to support small businesses and other eligible entities impacted by COVID-19

Eligible expenses include funds to pay workers, interest on mortgage obligations, rent, insurance, paid sick or medical leave, utilities, and payroll related costs incurred from February 15, 2020 – June 30, 2020. Up to a maximum of $10 million.

**Up to eight weeks of eligible expenses during the covered period can be forgiven from the loan principal as long as the employer maintains previous payroll counts during this emergency.**
The Paycheck Protection Program - BASICS

• The Paycheck Protection Program (PPP) will provide small businesses with loans that may be partially or fully forgiven and are 100% federally guaranteed.

• The program leverages the existing SBA 7(a) lenders and program, while increasing the available amount of funds, improving loan terms, streamlining borrower requirements, and providing for the expansion of eligible lenders of SBA PPP Loans.

• There are no collateral requirements or personal guarantees for the loan.

• There are no fees for the borrower to apply for the loan.

• SBA “credit elsewhere” test does not apply to this loan.

• Lenders will be accepting applications on Friday, April 3, 2020.
Paycheck Protection Program – Loan Terms

• Applicants can apply for a loan up to a maximum of $10 million, from participating lenders. Loan amounts are based on previous payroll and covered cost amounts. (2.5x average total monthly “payroll costs” up to $10 million)

• Interest rate is 1% per annum with term of 2 years.

• There are no fees for borrowers to apply, and no prepayment fees.

• Loan repayments will be deferred for six months.

• Entities must have been operational by February 15, 2020, had payroll and paid taxes.

• The covered loan period is from February 15, 2020 to June 30, 2020.

• If the business has already received an SBA Economic Injury Disaster Loan (EIDL) and chooses to refinance that loan with a PPP Loan, the outstanding EIDL loan amount can be added to the loan amount, subject to the $10 million cap.

• Applicants are eligible to apply until June 30th, 2020.
Paycheck Protection Program – Uses

Borrowers will be required to make a good faith certification that the loan proceeds will be used for:

• Payroll costs.
• Costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums.
• Employee compensation.
• Business related mortgage interest payments (not principal), lease payments, utility payments.
• Interest on any other business debt obligations that were incurred prior to February 15, 2020.
Paycheck Protection Program – Eligible Businesses

• A small business with less than 500 employees (or a business in an industry that has an employee-based size standard through SBA that is higher than 500 employees).

• 501(c)(3) nonprofits with less than 500 employees.

• Tribal businesses defined under section 31(b)(2)(C) with less than 500 employees.

• 501(c)(19) veteran organizations with less than 500 employees.

• A restaurant, hotel, or a business that falls within the North American Industry Classification System (NAICS) code 72, “Accommodation and Food Services,” and each of your locations has less than 500 employees.

• Businesses in the hospitality and restaurant industries, franchises that are approved on the SBA’s Franchise Directory.

• Businesses that receive financial assistance from the Small Business Investment Company (SBIC) program.

• Sole proprietors, independent contractors, gig economy workers, and self-employed individuals are all eligible for the Paycheck Protection Program.
Paycheck Protection Program – Payroll Cost Calculations

- Payroll costs for businesses include salaries, wages, cash tips, payments for vacation, parental, family, medical, or sick leave, and group health care benefits, as well as certain other employment-related expenses.

- Payroll costs for sole proprietors and independent contractors includes wages and net earnings from self-employment.

- Compensation for an individual employee, sole proprietor or independent contractor above $100,000 annually (pro-rated for the period) is excluded.

- The average payroll will be calculated over (i) 12 months prior to the loan origination, (ii) for seasonal employers, the period between February 15, 2019 through June 30, 2019 or, at the election of the borrower, March 1, 2019 through June 30, 2019, or (iii) the period between January 1, 2020 and February 29, 2020 for businesses not in operation during the period between February 15, 2019 and June 30, 2019
The Act establishes that the borrower is eligible for loan forgiveness equal to the amount spent by the borrower during an 8-week period after the origination date of the PPP loan.

*What can be included in the PPP loan forgiveness amount?*

- Actual Payroll costs.
- Interest payment on a mortgage that originated prior to February 15, 2020.
- Interest payment on a debt that originated prior to February 15, 2020.
- Payment of rent on lease that began prior to February 15, 2020.
- Payment on any utility for which service began before February 15, 2020.

*Amounts forgiven may not exceed the principal amount of the loan and accrued interest.*

*Loan proceeds used for any other purposes will NOT be forgiven.*

*Any cancelled indebtedness will not be included in the borrower’s taxable income.*

*No more than 25% of non-payroll costs can be forgiven.*

*SBA and U.S. Department of the Treasury will be providing more guidance on loan forgiveness.*
The purpose of the Paycheck Protection Program is to help you retain your employees, at their current base pay.

- If you keep all of your employees, up to 8 weeks of actual payroll related expenses will be forgiven.
- If you still lay off employees, the forgiveness will be reduced by the percent decrease in the number of employees.
- If your 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 you have already laid off some employees, you can still be forgiven for the full amount of your payroll cost if you rehire your employees by June 30, 2020.**
- If the full principal of the PPP loan is forgiven, the borrower is not responsible for the interest accrued in the 8-week covered period. Any remainder of the loan that is not forgiven will convert into 2-year loan at 1% interest.
Paycheck Protection Program and SBA EIDL Loans

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

• If you received an EIDL loan related to COVID-19 between January 31, 2020 to April 3, 2020 you would be able to refinance the EIDL into the PPP for loan forgiveness purposes.

• You cannot take out EIDL and a PPP loans 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 the Paycheck Protection Program.
Start preparing – Collecting Data

Gather documents that provide proof of payment for allowable expenses under Paycheck Protection Program and be ready to make related certifications for the application:

For Employers with employees on payroll:
Your previous 12 months of payroll and related expenses. All eligible expenses to be accounted for:
- Wages
- Cash tips or equivalent
- Commissions
- Other forms of compensation (note what they are along with amounts)
- Health care benefits
- Insurance
- Payment for vacation, parental, family, medical, or sick leave
- Payment of any retirement benefit
- Payment of state or local tax assessed on the compensation of the employee

For employers with tipped employees, additional wages paid to those employees:
- A full list of Employee Names and wages paid

EXCLUDED Payroll Costs:
- 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 116–5127); or qualified family leave wages for which a credit is allowed under section 7003 of the Families First Coronavirus Response Act
For Sole Proprietors, Independent Contractors, and Self-Employed Individuals

Proof of payments of any compensation or income of a sole proprietor or independent contractor that is:
• A wage
• Commission
• Income
• Net earnings from self-employment, or similar compensation and that is in an amount that is not more than $100,000 in one year, as pro-rated for the covered period.

Other eligible expenses:
Interest on the mortgage obligation incurred in the ordinary course of business.
Interest on other debt obligations incurred before Feb. 15, 2020.
Rent on a leasing agreement.
• Copy of a current lease
• Proof of rent paid

Payments on utilities: Include bills and payments made for:
• Electricity
• Gas
• Water
• Transportation
• Telephone
• Internet
Start preparing – Collecting Data (continued)

Be ready to commit to a good faith certification upon application:

1. The uncertainty of current economic conditions makes the loan request necessary to support ongoing operations
2. The borrower will use the loan proceeds to retain workers and maintain payroll or make mortgage, lease, and utility payments
3. Borrower does not have an application pending for a loan duplicative of the purpose and amounts applied for here
4. From Feb. 15, 2020 to Dec. 31, 2020, the borrower has not received a loan duplicative of the purpose and amounts applied for here (Note: There is an opportunity to fold emergency loans made between Jan. 31, 2020 to April 3, 2020).

If you are an independent contractor, sole proprietor, or self-employed individual, lenders will also be looking for certain documents (final requirements will be announced by the government) such as payroll tax filings, Forms 1099-MISC, and income and expenses from the sole proprietorship.
Sample Application – subject to change
Together we will defeat the virus!
Thank you for supporting Small Business in New York State