



Quinnipiac
Chamber of
Commerce

FREQUENTLY ASKED QUESTIONS

04/24/2020

What you need to know about the PPP

Can I apply through the SBA?

No. Only through an SBA-qualified lender, any federally insured depository institution or any federally insured credit union; (found [here](#)) until June 30th, 2020.

What will be the maturity date on a PPP loan?

The maturity is two years at 1%. *SBA Interim Final Rule Guidelines – April 2020*

What Documents are needed to apply for the PPP?

- Payroll processor records, payroll tax filings, Form 1099-MISC (for independent contractor applicants), or income and expenses from a sole proprietorship. If you do not have any such documentation, you must provide other supporting documentation, such as bank records, sufficient to demonstrate the average monthly payroll amount.
- Documentation about your organization: articles/certificate of incorporation and bylaws; articles of organization and operating agreement; partnership agreement and filed partnership certificate; trustee certification; or trade name certificate (DBA)
- Correct and complete email of owners
- Correct home address of the owners
- Correct and complete TIN/EIN of owners
- Disclosure of all 20% owners of the organization (must have enough owners to comprise 90% of entity)
- Complete submission of all required documents
 - Copies of all business IRS form 941- for all 4Q's of 2019
 - Payroll ledger for 2019 payroll showing payroll costs by employee
- Payroll ledger for YTD 2020 (same information as above)
- Entity organization documents (articles of incorporation by-laws) and most institutions need to know that the person completing the application on behalf of the entity is authorized to sign for the entity.

SBA.gov – FAQ PPP

What is the maximum amount I can apply for under the PPP?

The maximum you can borrow is \$10 Million. Calculate your amount by aggregating payroll costs from the last twelve months, subtract any compensation paid to an employee in excess of an annual salary of \$100,000 and/or any amounts paid to any independent contractors or sole proprietor in excess of \$100,000 per year, and calculate average monthly payroll costs (divide the subtracted amount by 12); now multiply that average monthly payroll costs by 2.5. – this will be your loan amount (minus any EIDL advance.) If you are a seasonal or new business, you will use different applicable time periods for your calculation. (January 1, 2020 – February 15, 2020) Payroll costs will be capped at \$100,000 annualized for each employee.

Example: No employees make more than \$100,000, outstanding EIDL loan of \$10,000. Annual payroll: \$120,000 Average monthly payroll: \$10,000 Multiply by 2.5 = \$25,000 Add EIDL loan of \$10,000 = \$35,000 Maximum loan amount is \$35,000.

SBA FAQ as of 4/8/20

What is included?

Payroll and benefits; rent, mortgage, interest on loans. The following expenses shall not total more than 25% of the total loan: mortgage, interest on loans, rent and utilities. *SBA Interim Final Rule Guidelines – April 2020*

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. *SBA Interim Final Rule Guidelines – April 2020*

In general, borrowers can calculate their aggregate payroll costs using data either from the previous 12 months or from calendar year 2019. For seasonal businesses, the applicant may use average monthly payroll for the period between February 15, 2019, or March 1, 2019, and June 30, 2019. An applicant that was not in business from February 15, 2019 to June 30, 2019 may use the average monthly payroll costs for the period January 1, 2020 through February 29, 2020. Borrowers may use their average employment over the same time periods to determine their number of employees, for the purposes of applying an employee-based size standard. Alternatively, borrowers may elect to use SBA’s usual calculation: the average number of employees per pay period in the 12 completed calendar months prior to the date of the loan application (or the average number of employees for each of the pay periods that the business has been operational, if it has not been operational for 12 months). *SBA FAQ as of 4/8/20*

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.
- 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). *SBA Interim Final Rule Guidelines – April 2020*



The CARES Act excludes from the definition of payroll costs any employee compensation in excess of an annual salary of \$100,000. Does that exclusion apply to all employee benefits of monetary value?

No. The exclusion of compensation in excess of \$100,000 annually applies only to cash compensation, not to non-cash benefits, including: • employer contributions to defined-benefit or defined-contribution retirement plans; • payment for the provision of **employee** benefits consisting of group health care coverage, including insurance premiums; and • payment of state and local taxes assessed on compensation of employees. *SBA FAQ as of 4/8/20*

What time period should borrowers use to determine their number of employees and payroll costs to calculate their maximum loan amounts?

In general, borrowers can calculate their aggregate payroll costs using data either from the previous 12 months or from calendar year 2019. For seasonal businesses, the applicant may use average monthly payroll for the period between February 15, 2019, or March 1, 2019, and June 30, 2019. An applicant that was not in business from February 15, 2019 to June 30, 2019 may use the average monthly payroll costs for the period January 1, 2020 through February 29, 2020. Borrowers may use their average employment over the same time periods to determine their number of employees, for the purposes of applying an employee-based size standard. Alternatively, borrowers may elect to use SBA's usual calculation: the average number of employees per pay period in the 12 completed calendar months prior to the date of the loan application (or the average number of employees for each of the pay periods that the business has been operational, if it has not been operational for 12 months). *SBA FAQ as of 4/8/20*

The amount of forgiveness of a PPP loan depends on the borrower's payroll costs over an eight-week period; when does that eight-week period begin?

The eight-week period begins on the date the lender makes the first disbursement of the PPP loan to the borrower. The lender must make the first disbursement of the loan no later than ten calendar days from the date of loan approval. *SBA FAQ as of 4/8/20*

Should payments that an eligible borrower made to an independent contractor or sole proprietor be included in calculations of the eligible borrower's payroll costs?

No. Any amounts that an eligible borrower has paid to an independent contractor or sole proprietor should be excluded from the eligible business's payroll costs. However, an independent contractor or sole proprietor will itself be eligible for a loan under the PPP, if it satisfies the applicable requirements.

How should federal taxes be accounted for when determining its payroll costs for purposes of the maximum loan amount, allowable uses of a PPP loan, and the amount of a loan that may be forgiven?

Under the Act, payroll costs are calculated on a gross basis without regard to (i.e., not including subtractions or additions based on) federal taxes imposed or withheld, such as the employee's and employer's share of Federal Insurance Contributions Act (FICA) and income taxes required to be withheld from employees. As a result, payroll costs are not reduced by taxes imposed on an employee and required to be withheld by the employer, but payroll costs do not include the employer's share of payroll tax. For example, an employee who earned \$4,000 per month in gross wages, from which \$500 in federal taxes was withheld, would count as \$4,000 in payroll costs. The employee would receive \$3,500, and \$500 would be paid to the federal government. However, the employer-side federal payroll taxes imposed on the \$4,000 in wages are excluded from payroll costs under the statute. *SBA FAQ as of 4/8/20*

What if an eligible borrower contracts with a third-party payer such as a payroll provider or a Professional Employer Organization (PEO) to process payroll and report payroll taxes?

SBA recognizes that eligible borrowers that use PEOs or similar payroll providers are required under some state registration laws to report wage and other data on the Employer Identification Number (EIN) of the PEO or other payroll provider. In these cases, payroll documentation provided by the payroll provider that indicates the amount of wages and payroll taxes reported to the IRS by the payroll provider for the borrower's employees will be considered acceptable PPP loan payroll documentation. Relevant information from a Schedule R (Form 941), Allocation Schedule for Aggregate Form 941 Filers, attached to the PEO's or other payroll provider's Form 941, Employer's Quarterly Federal Tax Return, should be used if it is available; otherwise, the eligible borrower should obtain a statement from the payroll provider documenting the amount of wages and payroll taxes. In addition, employees of the eligible borrower will not be considered employees of the eligible borrower's payroll provider or PEO. *SBA FAQ as of 4/8/20*

Do PPP loans cover paid sick leave?

Yes. PPP loans covers payroll costs, including costs for employee vacation, parental, family, medical, and sick leave. However, the CARES Act excludes 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). *SBA FAQ as of 4/8/20*

Do independent contractors count as employees for purposes of PPP loan calculations?

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 calculation. *SBA Interim Final Rule Guidelines – April 2020*

I am an independent contractor (or sole proprietor), can I apply to the PPP?

You are also eligible for a PPP loan if you are an individual who operates under a sole proprietorship or as an independent contractor or eligible self-employed individual, you were in operation on February 15, 2020. You must also submit such documentation as is necessary to establish eligibility such as payroll processor records, payroll tax filings, or Form 1099- MISC, or income and expenses from a sole proprietorship. For borrowers that do not have any such documentation, the borrower must provide other supporting documentation, such as bank records, sufficient to demonstrate the qualifying payroll amount. *SBA Interim Final Rule Guidelines – April 2020*

I am a partner of a firm, I am eligible for the PPP?

Partnerships are eligible for PPP loans under the Act, and the Administrator has determined, in consultation with the Secretary of the Treasury (Secretary), that limiting a partnership and its partners (and an LLC filing taxes as a partnership) to one PPP loan is necessary to help ensure that as many eligible borrowers as possible obtain PPP loans before the statutory deadline of June 30, 2020. This limitation will allow lenders to more quickly process applications and lower the burdens of applying for partnerships/partners. The Administrator has further determined that permitting partners to apply as self-employed individuals would create unnecessary confusion regarding which entity, the partner or the partnership, applies for partner and LLC member income, and would generate loan proceeds use coordination and allocation issues.

When will I have to begin paying principal and interest on my PPP loan?

You will not have to make any payments for six months following the date of disbursement of the loan. However, interest will continue to accrue on PPP loans during this six-month deferment. *SBA Interim Final Rule Guidelines – April 2020*

Will the loan amounts be forgiven?

The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities (due to likely high subscription, at least 75% of the forgiven amount must have been used for payroll). Loan payments will also be deferred for six months. No collateral or personal guarantees are required. Neither the government nor lenders will charge small businesses any fees.

Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease. *SBA Interim Final Rule Guidelines – April 2020*

**Explain the timeline for hiring employees back and how long they need to be kept on?
What documents are necessary?**

Re-Hiring: You have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.

How can I request loan forgiveness? You can submit a request to the lender that is servicing the loan. The request will include documents that verify the number of full-time equivalent employees and pay rates, as well as the payments on eligible mortgage, lease, and utility obligations. You must certify that the documents are true and that you used the forgiveness amount to keep employees and make eligible mortgage interest, rent, and utility payments. The lender must make a decision on the forgiveness within 60 days. <https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses> - more information for borrowers.

How do nonprofits complete the PPP loan application for the section that asks for “owner”?

The person completing the application on behalf of the firm (provided they are a signer on the accounts) list themselves and their information as the 100% owner. *SBA FAQ as of 4/8/20*

I need to request a loan to support my small business operations, in light of current economic uncertainty. However, I plead guilty to a felony crime a very long time ago. Am I still eligible for the PPP?

Yes. Businesses are only ineligible if an owner of 20 percent or more of the equity of the applicant is presently incarcerated, on probation, on parole; subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction; or, within the last five years, for any felony, has been convicted; pleaded guilty; pleaded nolo contendere; been placed on pretrial diversion; or been placed on any form of parole or probation (including probation before judgment). *SBA FAQ as of 4/8/20*

Do utilities include only electricity/gas/oil/water- or are items such as internet/cable/etc. included since they are in support of employment?

All utilities are considered part of running your business. *SBA FAQ as of 4/8/20*

Are auto allowances paid to employees considered as payroll?

Since the guidance is not specific to auto allowances, please consult your banking institution or financial advisor for more guidance.

We self-fund our unemployment insurance, anything out there to help?

You can apply to the EIDL program, as that includes payroll and may assist in your business expenses. If you are seeing the necessity to still layoff and pay unemployment, you can still claim under the EIDL, as that is part of the disaster recovery assistance. *SBA FAQ as of 4/8/20*

If you apply for EIDL today can you also apply for PPP? What are the specifics of how that will work?

Yes, you can apply to both, just not for the same expenses. *SBA FAQ as of 4/8/20*