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Paycheck Protection Program (PPP)

Presented by:

Marc A. Monteleone, Esquire

Bowles Rice LLP

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A Word of Caution

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Paycheck Protection Program

- The PPP authorizes up to \$349 billion in forgivable loans to small businesses to assist with payroll obligations.

Filing Dates for Paycheck Protection Plan

- The filing date for Small Business and Sole Proprietorship loan applications began on April 3.
- The filing date for Independent Contractors and Self-employed individuals loan applications began on April 10.
- The application period runs through June 30, 2020 but you are encouraged to apply as quickly as possible because there is a funding cap.

Where to Apply

- You can apply through any existing SBA lender or through any federally insured depository institution, federally insured credit union or Farm Credit System institution that is participating.
- You should consult with your local lender as to whether it is participating.
- For a list of SBA lenders, go to **www.sba.gov**.

Who Can Participate

- Small businesses generally defined as less than 500 employees
 - Certain industries can have more than 500 employees if they meet applicable SBA employee-based size standards.
 - Aggregation rules determined under SBA rules, but are waived for (i) hospitality and dining industry, (ii) franchises in SBA Franchise Directory and (iii) receive financial assistance from small business investment companies.

Definition of Business

- Generally all businesses
- Non-profits, mostly 501(c)(3) organizations
- Veterans organizations
- Tribal business concerns
- Sole proprietorships
- Independent contractors

How Do You Apply

- Complete SBA Form 2483
- Proof of monthly payroll costs for the 12 months before the application date or calendar year 2019
- Payroll documentation, including health insurance costs, retirement plan costs and other benefits costs
- Helpful to provide bank with spreadsheet summarizing your calculations
- Certification of seven basic facts

How Much Can I Borrow?

The lower of:

- Average payroll costs multiplied by 2.5

or

\$10 million

Payroll Costs Include

- Salary, wages, commissions or tips (up to \$100,000 in annual compensation)
- Employee benefits, including payment for vacation, parental, family, medical or sick leave
- Allowance for dismissal or separation from employment
- Payments required for the provision of group health care benefits, including insurance premiums
- Payment of any retirement benefits
- State or local tax assessed on the compensation

Loan Terms

- 2-year loan @ 1% fixed interest
- All payments deferred for 6 months
- No prepayment penalties
- No collateral
- No personal guarantees

Allowable Use of Loan Proceeds

- Payroll costs, including benefits
- Interest on any mortgage obligations incurred before February 15, 2020
- Rent under lease agreements in force before February 15, 2020
- Utilities for which service began before February 15, 2020

Forgiveness of PPP Loan

- Forgiveness of PPP loan is based on accumulated expenditures during the 8-week period following receipt of loan proceeds if used for:
 - Covered “payroll costs”
 - Utility payments as defined above
 - Rent expenses as defined above
 - Interest on a mortgage debt as defined above

Amount of Forgiveness Can Be Reduced If...

- Your number of FTE's is reduced during the 8- week period
- You reduce salary and wages of those making less than \$100,000 by 25% or more during the 8-week period
- You have until June 30 to restore your FTE count or reduction in wages to mitigate the reduction forgiveness
- No more than 25% of the forgiven amount can be for non-payroll costs

How to Request Forgiveness

- You submit a request to the lender that is servicing the loan
- Include documentation to verify number of FTE employees, pay rates, mortgage, rent and utilities
- Certify the truth of the documents used in your forgiveness calculation
- The lender must process request within 60 days
- Interest cannot be forgiven
- Principal forgiven is not treated as income

Thank You!

Marc A. Monteleone, Esquire

Bowles Rice LLP

mmonteleone@bowlesrice.com

304.347.1132

bowlesrice.com