



Welcome!

**APR Supply Co. Legislative
Webinar with
Expert Attorneys from
McNees Wallace & Nurick and
Baker Tilly**

March 31, 2020

A portrait of Terry Ludwig, a middle-aged man with short brown hair, a light beard, and blue eyes. He is wearing a dark suit jacket over a light blue button-down shirt. The portrait is set against a white background and is partially framed by a dark grey curved shape on the right side of the slide.

OPENING REMARKS

For supplemental information and a copy of today's presentation, please visit our website.

<https://www.aprsupply.com/CompanyNews>

Terry Ludwig – EVP Sales

Waiver Process for Keeping Physical Locations Open Pennsylvania Department of Community and Economic Development (DCED)

- If you believe that your business should be classified as a life-sustaining and be granted a waiver exemption, the application is found [HERE](#).

- **What you'll need for the waiver application:**
 - Basic business and contact information: Name, Address, Phone, Email
 - Justification for exemption
 - Plan to meet CDC guidelines for employee safety
 - [CDC Guidance](#)
 - Number of employees you will have working on-site

If you have any questions regarding your waiver application, the Frequently Asked Questions (FAQs) are found [HERE](#).



Brad Morgan, CFO

Introductions – The Experts



Nicole Kaylor, Attorney – McNeese Wallace



Adam Santucci, Attorney – McNeese Wallace



Paul Maulfair, CPA – Baker Tilly

IN THE KNOW WEBINARS

A McNeese WebiKnowledge series



Overview of CARES Act & the Families First Coronavirus Relief Act

Presented by



AGENDA

- **Coronavirus Aid, Relief and Economic Security Act**
 - Loan & Tax Credit Provisions
- **SBA Loan Programs**
- **Families First Coronavirus Response Act**
- **Business Tax Provisions**
- **Q&A Session**



Coronavirus Aid, Relief and Economic Recovery Act

SBA Loans - Paycheck Protection Program Loans

- **Lenders**: Banks authorized to make SBA loans are automatically approved to make loans under this program. The Treasury Secretary may extend this to other lenders
- **Eligibility**:
 - During the covered period of February 15, 2020-June 30, 2020 (the “Loan Expansion Period”), the Act expands eligible businesses who can apply for the SBA loans to:
 - **Small business concerns, Nonprofit organization, Sole-proprietors, independent contractors, and self-employed individuals**



Coronavirus Aid, Relief and Economic Recovery Act

SBA Loans - Paycheck Protection Program Loans

- **Eligibility:**
 - If the organizations employ not more than the GREATER of:
 - **500 employees; or the standard in number of employees established for the industry in which the entity operates**
 - **Special exception for NAICS Code 72**
 - Affiliation Rules waived for:
 - **Businesses under 500 employees with NAICS Code 72**
 - **Franchises assigned a franchise identifier by the SBA**
 - **Any business that received financial assistance under Section 301 of the Small Business Investment Act (a small business investment company)**



Coronavirus Aid, Relief and Economic Recovery Act

SBA Loans - Paycheck Protection Program Loans

- **Loan Terms: Maximum Loan Amount = The lesser of:**
 - (i) Average total monthly payroll costs by the entity for the 1 year prior to the date the loan is made, *times* (ii) 2.5; *plus* (ii) the outstanding amount of SBA Disaster Loans made from January 31, 2020 until the date the SBA Loan is made available (*see further discussion of SBA Disaster Loans below*); and
 - If entity was not in business from February 15, 2019- June 30, 2019, then (i) the average total monthly payroll costs from January 1, 2020-February 29, 2020, *times* (ii) 2.5; *plus* (iii) SBA Disaster Loans made from January 1, 2020 until the date the SBA Loan is made available; and
 - \$10 million



Coronavirus Aid, Relief and Economic Recovery Act

SBA Loans - Paycheck Protection Program Loans

- **Loan Terms:**
 - Allowable Uses: payroll costs, costs related to the continuation of group health care benefits during periods of paid sick, medical or family leave, insurance premiums, employee salaries, commissions or similar compensation interest on mortgages, rent, utilities, and interest on other debt obligations
 - Interest: Not greater than 4%
 - Fees: None
 - Guaranty: None
 - Collateral: None
 - Maturity: Maximum 10 years
 - Prepayment Penalty: None



Coronavirus Aid, Relief and Economic Recovery Act

SBA Loans (Paycheck Protection Program Loans)

Loan Forgiveness:

- Borrower will be eligible for forgiveness of debt in an amount equal to the sum of the following (the “Eligible Forgiveness Amount”) made during the 8-week period beginning on the date of the loan (the “Forgiveness Covered Period”):
 - Payroll costs
 - Interest on a covered mortgage obligation
 - Payment on any covered rent obligation
 - Covered utility payment
- Amount forgiven equals cancelled indebtedness and is not includable as income for federal tax purposes.



Coronavirus Aid, Relief and Economic Recovery Act

SBA Loans - Paycheck Protection Program Loans

- **Limits on Forgiveness:**
 - Amount may not exceed principal
 - Reduction based on employees. The amount of forgiveness may be reduced (but not increased) by the following:
 - **Eligible Forgiveness Amount *times* (average number of full time employee equivalents per month employed during the Forgiveness Covered Period *divided by* (a) average number of full time equivalent employees per month employed by the borrower from 2/15/2019 until 6/30/19); or (b) average number of full time equivalent employees beginning on 1/1/2020 and ending on 2/29/2020)**
 - FTEE's are calculated by the average number of full-time equivalent employees for each pay period falling within the month.



Coronavirus Aid, Relief and Economic Recovery Act

SBA Loans - Paycheck Protection Program Loans

- **Limits on Forgiveness:**
- ***Further Reduction:***
 - The amount of loan forgiveness is further reduced by any reduction in total salary or wages of any FTEE that is in excess of 25% of total salary during the most recent full quarter before the Forgiveness Covered Period. This only applies to employees making \$100,000 or less.
- ***Exemption for Rehires:* The amount of loan forgiveness will NOT be reduced by the reduction of employees IF:**
 - From February 15, 2020 until April 26, 2020, there is a reduction in FTEEs, and
 - Not later than June 30, 2020, the borrower rehires the FTEEs reduced between February 15, 2020 and April 26, 2020; and
 - Not later than June 30, 2020, the borrower eliminates the reduction in salary or wage for such reduced FTEE employees.



SBA Disaster Loans

Eligibility:

- Small businesses (500 or fewer employees) and nonprofits
- CARES Act Eligibility Expansion:
 - **Sole proprietorships and independent contractors**
 - **Cooperatives with 500 or fewer employees**
 - **ESOPS with 500 or fewer employees**
 - **Removes requirement that credit cannot be obtained elsewhere**
- **Up to \$2 million (depends on business actual expenses)**
- **Allowable Uses: fixed debts, payroll, accounts payable and other bills that could have been paid if disaster had not occurred. Not intended for expansion or lost profit**
- **Interest: 3.75 for small businesses; 2.75 for nonprofit organizations**



Families First Coronavirus Response Act



Families First Coronavirus Response Act (“Response Act”) provides:

- Paid Emergency Sick Leave and FMLA leave.
 - **Only applicable to employers with fewer than 500 employees**
- Provisions for the expansion of unemployment benefits.
 - **To incentivize states to expand eligibility for unemployment benefits and eliminate the waiting period associated with the receive of these benefits**
- **Signed into law by President Trump on March 18, 2020.**
 - Sick and FMLA provisions effective April 1, 2020.
 - Sunset provision as of December 31, 2020.



Families First Coronavirus Response Act

■ Emergency Paid Sick Leave

- Available to any employee on your payroll and provides 80 hours of paid sick leave benefits for the following reasons:
 - **The employee is subject to a government quarantine or isolation order**
 - **The employee has been advised by a health care provider to self-quarantine**
 - **The employee has symptoms of COVID-19 and is seeking a medical diagnosis**
 - **The employee is caring for a relative who is in quarantine or isolation**
 - **The employee is unable to work because their child's school is closed or childcare service is closed or unavailable due to a public health emergency, such as COVID-19**
 - **Substantially similar conditions to be specified by HHS**
- **Tax Refund:** Credit will be for the same amount that you are required to give the employee. Credit is refundable and offsets the employer's portion of the social security tax.



Families First Coronavirus Response Act

- **Emergency Paid Sick Leave – Calculation of the Benefit**
 - Leave for employee's own illness or quarantine/isolation
 - **Regular daily pay, up to a cap of \$511**
 - Leave to care for a family member subject to quarantine/isolation or a child due to school or childcare closure
 - **66% of regular daily pay, up to a cap of \$200**
 - Part-Time employees whose schedules vary from week to week such that employer cannot determine the number of hours that would have been worked
 - **Use average hours over the prior 6-month period**
 - **If employee has not worked for 6 months, use reasonable expectation at time of hiring**
- **Sequencing-**
 - Employee may first use available Emergency Paid Sick Leave before other accrued leave
 - Emergency Paid Sick Leave will not be available after COVID-19 crisis and there is no payout or carryover



Families First Coronavirus Response Act

■ Expanded FMLA Leave

- Provides total of up to 12 weeks of paid leave for employees who cannot work because their minor child's school or childcare service is closed due to COVID-19 precautions.
- Applies to any employee who has been on the payroll for at least 30 days.
- Employee may use Emergency Paid Sick Leave for the first 2 weeks (otherwise unpaid).
 - **Employee may also substitute other available paid leave**
- Leave benefit paid at 66% of regular earnings up to a cap of \$200/day (or \$10,000 total)
 - **Varying hour calculation for part-time employees**
- Covered employer will also receive the tax credit for mandatory Paid Family Leave payments.



Families First Coronavirus Response Act

■ Large Business Exclusion

- The Act covers private employers with fewer than 500 employees.
 - **Full time and part time employees count; joint employees count; temps. count**
- Integrated Employer Analysis
 - **The legal entity which employs the employee is the employer and a corporation is a single employer rather than its separate establishments and divisions. 29 C.F.R. § 825.104(c).**
 - **When one corporation has an ownership interest in another corporation, it is treated as a separate employer unless it meets the joint employer or integrated employer test. 29 C.F.R. § 825.104(c)(1).**
 - **An employer may meet the integrated employer test if there is:**
 - Common management;
 - Interrelation between operations;
 - Central control of labor relations; and
 - A degree of common ownership or financial control.



Families First Coronavirus Response Act

■ Small Business Exclusion

- Employers with fewer than 50 workers can apply for an exemption from providing paid family and medical leave and paid sick leave if it "would jeopardize the viability of the business."
 - The paid leave would result in expenses and financial obligations exceeding available business revenues and cause the small business to cease operating at a minimal capacity;
 - The absence of the employee or employees would entail a substantial risk to the financial health or operational capabilities because of their specialized skills, knowledge of the business, or responsibilities; or
 - There are not sufficient workers who are able, willing, and qualified, and who will be available at the time and place needed, to perform the labor or services and these labor or services are needed for the small business to operate at a minimal capacity.



Families First Coronavirus Response Act

■ Tax Credits

- Employers receive 100% reimbursement for paid leave pursuant to the Act.
- Credits would be requested on your quarterly Form 941.
- Health insurance costs will be included in the credit
 - **Eligible employers are entitled to an additional tax credit determined based on costs to maintain health insurance coverage for the employee during the leave.**
- Self-employed individuals receive an equivalent credit



Families First Coronavirus Response Act

- **Employers should receive prompt credit for the cost of providing the leave**
 - Employers are required to withhold from the employee's paychecks federal income taxes and the employee's share of Social Security and Medicare
 - These funds, along with the employer's share of the Social Security and Medicare taxes, are deposited with the IRS and through quarterly payroll tax returns.
 - Eligible employers who pay qualifying sick or childcare leave, will be able to retain an amount of the payroll taxes equal to the amount of qualifying sick and childcare leave the employer paid, rather than deposit the amount with the IRS.
 - **Only employee's share of Social Security and Medicare taxes will be deposited.**
 - **If there are insufficient payroll taxes to cover the cost of the sick and childcare leave paid, employers can file a request for an accelerated payment from the IRS – these requests are expected to be processed in 2 weeks or less.**



Families First Coronavirus Response Act

- On March 21st, the Treasury Department and Internal Revenue Service announced that the federal income tax filing due date is automatically extended from April 15, 2020, to July 15, 2020.
- Taxpayers can also defer federal income tax payments due on April 15, 2020, to July 15, 2020, without penalties and interest, regardless of the amount owed.
 - This deferment applies to all taxpayers, including individuals, trusts and estates, corporations and other non-corporate tax filers as well as those who pay self-employment tax.
- Taxpayers do not need to file any additional forms or call the IRS to qualify for this automatic federal tax filing and payment relief.
- The IRS is encouraging taxpayers due a refund to file as soon as possible as most tax refunds will be issued within 21 days.



CORONAVIRUS – Unemployment Compensation



Office of Unemployment
Compensation

PA Department of Labor and Industry recently established that employees will be eligible for unemployment benefits under the following circumstances:

- If an employer temporarily closes or goes out of business because of COVID-19;
- If an employer reduces an employee's work hours because of COVID-19;
- If an employee has been told not to come to work because the employer feels the employee might get or spread COVID-19; or
- If an employee has been told to quarantine or self-isolate, or the employee lives/works in an area under government recommended mitigation efforts.

Department of Labor and Industry has suspended the “waiting week” requirement and will allow eligible claimants to receive benefits for the first week they are unemployed.



Coronavirus Aid, Relief and Economic Recovery Act

Unemployment Compensation provisions:

- States can enter into agreement with DOL to provide UC benefits to “covered individuals” that are otherwise not eligible for regular State UC or eligible for Pandemic Emergency Unemployment Compensation.
- States can enter into agreements with DOL to provide emergency UC compensation, payment amount is as if state law were modified to pay:
 - **Amount determined under state law, PLUS**
 - **An additional amount of \$600.**
 - Applicable for weeks of employment between date which such agreement was entered into and July 31, 2020.
- States can also enter into an agreement to provide UC benefits once all UC benefits have been exhausted if individual is still unable to work after UC entitlement has been exhausted.



PA Business Shut Down – Governor Wolf

- **If you have questions about the updated list of “life sustaining” business operations, the appeal process, or continuation of essential operations please contact legal counsel.**
 - Business-specific considerations
- **Order does not prohibit remote working so long as employees practice social distancing and other mitigation measures as recommended by the CDC.**



CORONAVIRUS – WHAT ELSE?



- **Do you have insurance for this?**
 - Is there business disruption insurance in place?
 - Consult your broker and counsel
 - **Very specific provisions are required and exceptions may apply**
- **State and federal government offering loan programs**



Action Steps for Businesses

- **Employee Notice of Rights (once published by DOL)**
- **Social Distancing Policy**
- **Teleworking Policies (e.g. track non-exempts)**
- **Refining Attendance Policies**
- **Protocol When an Employee May Have Been Exposed**
- **Policies/Forms Implementing the Act (emergency sick and family medical leave)**
- **Notice Requirements Under WARN Act and COBRA**
- **Duty to Negotiate with Unions**
- **Stay tuned to our blog:
www.palaborandemploymentblog.com**



CARES Act Business Tax Provisions



Paul Maulfair, CPA



Qualified improvement property

- Qualified improvement property (QIP) becomes 15 year property, eligible for bonus depreciation. *This change is retroactive to 2018.* Taxpayers that placed QIP in service in 2018 can file an accounting method change (Form 3115) to “catch up” the bonus depreciation on their 2019 return

Net operating losses

- CARES allows NOLs from 2018-2020 to be carried back five years (corporations and individuals). Taxpayers with losses in those years should review prior years to determine if it makes sense to carry back their NOLs to get tax refunds.
- C-corporations - CARES Act restores NOL usage to pre-TCJA levels; meaning NOLs can offset 100% of taxable income for 2018, 2019 and 2020 returns. Taxpayers with NOLs that were limited to 80% of taxable income on 2018 returns should consider amending their returns to take advantage of this provision.

Section §461(I) Suspension

- Individuals - §461(I), created by the TCJA, limits excess business losses of non-corporate taxpayers. Individuals with business losses from partnerships, S corporations, or sole proprietorships can only offset nonbusiness income with a portion of the loss plus a threshold amount (\$255,000 for single filers, \$510,000 for joint filers for 2019). This provision originally was effective for taxable years beginning after Dec. 31, 2017 and before Jan 1, 2026. CARES delays the effective date of §461(I) until 2021. Again, this could possibly result in amended returns if you had a §461(I) limitation in prior years.

Section 163(j) Revisions

- The TCJA limits the interest expense deduction to 30% of a taxpayer's adjusted taxable income (ATI) plus interest income plus floor plan interest expense. The CARES Act increases the ATI limit to 50% from 30% for the 2019 and 2020 tax years. In addition, taxpayers can elect use 2019 ATI for the calculation for their taxable year beginning in 2020. (note, special rules for partnerships not discussed)

Documentation Required for CARES Act

Fulton Bank recommends gathering the documentation below so you can be prepared once the program is available.

- **2019 IRS Quarterly 940, 941 or 944 payroll tax reports.**
- **Last 12 months of Payroll Reports beginning with your last payroll date and going backwards 12 months.**
- **Payroll report must show the following for the time period above:**
 - Gross wages for each employee, including the officer(s) if paid W-2 wages.
 - Paid time off for each employee.
 - Vacation pay for each employee.
 - Family medical leave pay for each employee.
 - State and Local taxes assessed on the employee's compensation for each employee.
- **1099s for 2019 for independent contractors that would otherwise be an employee of your business.**
 - Do NOT include 1099s for services.
- **Documentation showing total of all health insurance premiums paid by the Company Owner under a group health plan.**
 - Include all employees and the company owners.
- **Document the sum of all retirement plan funding that was paid by the Company Owner (do not include funding that came from the employee's out of their paycheck deferrals).**
 - Include all employees, including company owners.
 - 401K plans, Simple IRA, SEP IRAs.
- **While the program has just been announced, the details around the process and the application have yet to be released by the SBA, and we will provide information as soon as it is available.**

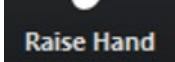


COVID-19 Legislative Review

Questions & Answers

To ask a Question, use your Webinar Control Panel to:

Ask a Question Yourself

- Click the Raise Hand icon The icon is a black square with a white hand icon pointing upwards and the text "Raise Hand" below it.
- We will UNMUTE you when your turn arrives, introduce you, and then you can ask your question directly.

Type in your Question

- Click on the Q&A icon The icon is a black square with a white speech bubble icon and the text "Q&A" below it.
- Type your question in the Q&A box and Submit
- We will ask your question for you!

Thank You!



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EMPLOYER RESOURCES.

GOVERNMENT RESOURCES

Coronavirus Aid, Relief and Economic Security Act (CARES)

- [Deciphering the CARES Act for Your Business – A Simple Overview](#)
- [PA State: Responding to COVID-19 in Pennsylvania for Businesses](#)
- [U.S. Centers for Disease Control & Prevention \(CDC\) Coronavirus \(COVID-19\)](#)
- [U.S. Department of Labor Coronavirus Resources](#)
 - [3/28 Additional Guidance](#)
 - [3/24 Families First Coronavirus Response Act: Questions and Answers](#)
 - [3/24 Families First Coronavirus Response Act: Employee Paid Leave Rights](#)
 - [3/24 Families First Coronavirus Response Act: Employer Expanded Family and Medical Leave Requirements](#)

ARTICLES & GUIDES

- [Initial Guidance on Payroll Tax Credits under the Families First Coronavirus Response Act](#)
- [Benefit Considerations in Light of Employee Terminations Layoffs](#)
- [CDC COVID Home Care Guidelines](#)
- [Differences Between Furlough & Layoff](#)
- [Fulton Bank Documents to Complete Loan Application](#)

MEDICAL PROVIDERS/INSURANCE RESOURCES

- [Aetna and CVS Health](#)
 - [Aetna Commercial Employers 100+ Insured and Self-Funded FAQ](#)
 - [Aetna Funding Advantage \(AFA\) for Small Group Q&A](#)
- [Berkley Accident & Health](#)
- [Capital Blue Cross](#)
 - [Capital BlueCross: COVID-19 Guidance for Employers](#)
- [Geisinger Health Plan](#)
- [Guardian](#)
 - [FAQ's about Guardian's Response to COVID-19](#)
- [Highmark Blue Shield](#)
 - [Highmark COVID-19 Continuity of Coverage and Employer Options for Our Customers](#)
- [Independence Blue Cross](#)
- [Lehigh Valley Hospital Network](#)
- [Principal](#)
 - [Principal – Renewal Rate Hold](#)
- [St. Luke's University Health Network](#)
- [SunLife](#)
 - [SunLife Stop Loss Procedures](#)
- [Swiss Re Corporate Solutions A&H COVID19 Response 3/25](#)
- [The Standard](#)
- [United Healthcare](#)
 - [COVID-19 Employer FAQs: Answers to your questions](#)
- [Unum](#)
- [UPMC Health Plan](#)
 - [UPMC Health Plan COVID-19 Guidance for Employer Groups](#)
- [WellSpan](#)
 - [New testing protocols: Seeking Healthcare During COVID-19](#)
 - [Print Resources and Posters for Employers](#)
 - [Helpful Information](#)
 - [Resources](#)



FOR MORE INFO:

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PARTNER RESOURCES

- [Pennsylvania Manufacturer's Association](#)
- [SHRM – Society for Human resource Management](#)
- [PA Chamber](#)



The Small Business Owner's Guide to the CARES Act

The programs and initiatives in the *Coronavirus Aid, Relief, and Economic Security (CARES) Act* that was just passed by Congress are intended to assist business owners with whatever needs they have right now. When implemented, there will be many new resources available for small businesses, as well as certain non-profits and other employers. This guide provides information about the major programs and initiatives that will soon be available from the Small Business Administration (SBA) to address these needs, as well as some additional tax provisions that are outside the scope of SBA.

To keep up to date on when these programs become available, please stay in contact with your local Small Business Administration (SBA) District Office, which you can locate [here](#).

Struggling to get started? The following questions might help point you in the right direction. Do you need:

- **Capital to cover the cost of retaining employees?** Then the [Paycheck Protection Program](#) might be right for you.
- **A quick infusion of a smaller amount of cash to cover you right now?** You might want to look into an [Emergency Economic Injury Grant](#).
- **To ease your fears about keeping up with payments on your current or potential SBA loan?** The [Small Business Debt Relief Program](#) could help.
- **Just some quality, free counseling to help you navigate this uncertain economic time?** The [resource partners](#) might be your best bet.

Already know what resources you're looking for? The table of contents can direct you to more information about the program or assistance product you need.

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Small Business Debt Relief Program	6
Economic Injury Disaster Loans and Emergency Economic Injury Grants	7
Small Business Counseling	9
Small Business Contracting	10
Small Business Tax Provisions	11

Paycheck Protection Program (PPP) Loans

The program would provide cash-flow assistance through 100 percent federally guaranteed loans to employers who maintain their payroll during this emergency. If employers maintain their payroll, the loans would be forgiven, which would help workers remain employed, as well as help affected small businesses and our economy snap-back quicker after the crisis. PPP has a host of attractive features, such as forgiveness of up to 8 weeks of payroll based on employee retention and salary levels, no SBA fees, and at least six months of deferral with maximum deferrals of up to a year. Small businesses and other eligible entities will be able to apply if they were harmed by COVID-19 between February 15, 2020 and June 30, 2020. This program would be retroactive to February 15, 2020, in order to help bring workers who may have already been laid off back onto payrolls. **Loans are available through June 30, 2020.**

FREQUENTLY ASKED QUESTIONS

QUESTION: What types of businesses and entities are eligible for a PPP loan?

- Answer:
- Businesses and entities must have been in operation on February 15, 2020.
 - Small business concerns, as well as any business concern, a 501(c)(3) nonprofit organization, a 501(c)(19) veterans organization, or Tribal business concern described in section 31(b)(2)(C) that has fewer than 500 employees, or the applicable [size standard](#) in number of employees for the North American Industry Classification System (NAICS) industry as provided by SBA, if higher.
 - Individuals who operate a sole proprietorship or as an independent contractor and eligible self-employed individuals.
 - Any business concern that employs not more than 500 employees per physical location of the business concern and that is assigned a NAICS code beginning with 72, for which the affiliation rules are waived.
 - Affiliation rules are also waived for any business concern operating as a franchise that is assigned a franchise identifier code by the Administration, and company that receives funding through a Small Business Investment Company.

QUESTION: What are affiliation rules?

Answer: Affiliation rules become important when SBA is deciding whether a business's affiliations preclude them from being considered "small." Generally, affiliation exists when one business controls or has the power to control another or when a third party (or parties) controls or has the power to control both businesses. Please see [this resource](#) for more on these rules and how they can impact your business's eligibility.

QUESTION: What types of non-profits are eligible?

Answer: In general, 501(c)(3) and 501(c)(19) non-profits with 500 employees or fewer as most non-profit SBA size standards are based on revenue, not employee number. You can check [here](#).

QUESTION: How is the loan size determined?

Answer: Depending on your business's situation, the loan size will be calculated in different ways (see below). The maximum loan size is always **\$10 million**.

- **If you were in business February 15, 2019 – June 30, 2019:** Your max loan is equal to 250 percent of your average monthly payroll costs during that time period. If your business employs seasonal workers, you can opt to choose March 1, 2019 as your time period start date.
- **If you were not in business between February 15, 2019 – June 30, 2019:** Your max loan is equal to 250 percent of your average monthly payroll costs between January 1, 2020 and February 29, 2020.
- **If you took out an Economic Injury Disaster Loan (EIDL) between February 15, 2020 and June 30, 2020** and you want to refinance that loan into a PPP loan, you would add the outstanding loan amount to the payroll sum.

QUESTION: What costs are eligible for payroll?

- Answer:
- Compensation (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 employees

QUESTION: What costs are not eligible for payroll?

- Answer:
- Employee/owner compensation over \$100,000
 - Taxes imposed or withheld under chapters 21, 22, and 24 of the IRS code
 - Compensation of employees whose principal place of residence is outside of the U.S.
 - Qualified sick and family leave for which a credit is allowed under sections 7001 and 7003 of the [*Families First Coronavirus Response Act*](#)

QUESTION: What are allowable uses of loan proceeds?

- Answer:
- Payroll costs (as noted above)
 - Costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums
 - Employee salaries, commissions, or similar compensations (see exclusions above)
 - Payments of interest on any mortgage obligation (which shall not include any prepayment of or payment of principal on a mortgage obligation)
 - Rent (including rent under a lease agreement)
 - Utilities
 - Interest on any other debt obligations that were incurred before the covered period

QUESTION: What are the loan term, interest rate, and fees?
Answer: For any amounts not forgiven, the maximum term is 10 years, the maximum interest rate is 4 percent, zero loan fees, zero prepayment fee (SBA will establish application fees caps for lenders that charge).
QUESTION: How is the forgiveness amount calculated?
Answer: Forgiveness on a covered loan is equal to the sum of the following payroll costs incurred during the covered 8 week period compared to the previous year or time period, proportionate to maintaining employees and wages (excluding compensation over \$100,000): <ul style="list-style-type: none"> • Payroll costs plus any payment of interest on any covered mortgage obligation (not including any prepayment or payment of principal on a covered mortgage obligation) plus any payment on any covered rent obligation plus and any covered utility payment.
QUESTION: How do I get forgiveness on my PPP loan?
Answer: You must apply through your lender for forgiveness on your loan. In this application, you must include: <ul style="list-style-type: none"> • Documentation verifying the number of employees on payroll and pay rates, including IRS payroll tax filings and State income, payroll and unemployment insurance filings. • Documentation verifying payments on covered mortgage obligations, lease obligations, and utilities. • Certification from a representative of your business or organization that is authorized to certify that the documentation provided is true and that the amount that is being forgiven was used in accordance with the program’s guidelines for use.
QUESTION: What happens after the forgiveness period?
Answer: Any loan amounts not forgiven are carried forward as an ongoing loan with max terms of 10 years, at a maximum interest rate of 4%. Principal and interest will continue to be deferred, for a total of 6 months to a year after disbursement of the loan. The clock does not start again.
QUESTION: Can I get more than one PPP loan?
Answer: No, an entity is limited to one PPP loan. Each loan will be registered under a Taxpayer Identification Number at SBA to prevent multiple loans to the same entity.
QUESTION: Where should I go to get a PPP loan from?
Answer: All current SBA 7(a) lenders (see more about 7(a) here) are eligible lenders for PPP. The Department of Treasury will also be in charge of authorizing new lenders, including non-bank lenders, to help meet the needs of small business owners.

QUESTION: How does the PPP loan coordinate with SBA's existing loans?

Answer: Borrowers may apply for PPP loans and other SBA financial assistance, including Economic Injury Disaster Loans (EIDLs), 7(a) loans, 504 loans, and microloans, and also receive investment capital from [Small Business Investment Corporations](#) (SBICs). However, you cannot use your PPP loan for the same purpose as your other SBA loan(s). For example, if you use your PPP to cover payroll for the 8-week covered period, you cannot use a different SBA loan product for payroll for those same costs in that period, although you could use it for payroll not during that period or for different workers.

QUESTION: How does the PPP loan work with the temporary Emergency Economic Injury Grants and the Small Business Debt Relief program?

Answer: [Emergency Economic Injury Grant](#) and Economic Injury Disaster Loan (EIDL) recipients and those who receive loan payment relief through the [Small Business Debt Relief Program](#) may apply for and take out a PPP loan as long as there is no duplication in the uses of funds. Refer to those sections for more information.

Small Business Debt Relief Program

This program will provide immediate relief to small businesses with non-disaster SBA loans, in particular 7(a), 504, and microloans. Under it, SBA will cover all loan payments on these SBA loans, including principal, interest, and fees, for six months. This relief will also be available to new borrowers who take out loans within six months of the President signing the bill into law.

FREQUENTLY ASKED QUESTIONS	
QUESTION:	Which SBA loans are eligible for debt relief under this program?
Answer:	7(a) loans not made under the Paycheck Protection Program (PPP), 504 loans, and microloans. Disaster loans are not eligible (see p. 7 for more information on these).
QUESTION:	How does debt relief under this program work with a PPP loan?
Answer:	Borrowers may separately apply for and take out a PPP loan, but debt relief under this program will not apply to a PPP loan.
QUESTION:	How do I know if I'm eligible for a 7(a), 504, or microloan?
Answer:	In general, businesses must meet size standards , be based in the U.S., be able to repay, and have a sound business purpose. To check whether your business is considered small, you will need your business's 6-digit North American Industry Classification System (NAICS) code and 3-year average annual revenue. Each program has different requirements, see https://www.sba.gov/funding-programs/loans for more details.
QUESTION:	What is a 7(a) loan and how do I apply?
Answer:	7(a) loans are an affordable loan product of up to \$5 million for borrowers who lack credit elsewhere and need access to versatile financing, providing short-term or long-term working capital and to purchase an existing business, refinance current business debt, or purchase furniture, fixtures and supplies. In the program, banks share a portion of the risk of the loan with SBA. There are many different types of 7(a) loans, you can visit this site to find the one that's best for you. You apply for a 7(a) loan with a bank or a mission-based lender. SBA has a free referral service tool called Lender Match to help find a lender near you.
QUESTION:	What is a 504 loan and how do I apply?
Answer:	The 504 Loan Program provides loans of up to \$5.5 million to approved small businesses with long-term, fixed-rate financing used to acquire fixed assets for expansion or modernization. It is a good option if you need to purchase real estate, buildings, and machinery. You apply through a Certified Development Company, which is a nonprofit corporation that promotes economic development. SBA has a free referral service tool called Lender Match to help find a lender near you.
QUESTION:	What is a microloan and how do I apply?
Answer:	The Microloan Program provides loans up to \$50,000 to help small businesses and certain not-for-profit childcare centers to start up and expand. The average microloan is about \$13,000. These loans are delivered through mission-based lenders who are also able to provide business counseling. SBA has a free referral service tool called Lender Match to help find a microlender near you.
QUESTION:	I am unfamiliar with SBA loans, can anyone help me apply?
Answer:	Yes, SBA resource partners are available to help guide you through the loan application process. You can find your nearest Small Business Development Center (SBDC) or Women's Business Center here .

Economic Injury Disaster Loans & Emergency Economic Injury Grants

These grants provide an emergency advance of up to \$10,000 to small businesses and private non-profits harmed by COVID-19 within three days of applying for an SBA Economic Injury Disaster Loan (EIDL). To access the advance, you first apply for an EIDL and then request the advance. **The advance does not need to be repaid under any circumstance**, and may be used to keep employees on payroll, to pay for sick leave, meet increased production costs due to supply chain disruptions, or pay business obligations, including debts, rent and mortgage payments.

FREQUENTLY ASKED QUESTIONS	
QUESTION:	Are businesses and private non-profits in my state eligible for an EIDL related to COVID-19?
Answer:	Yes, those suffering substantial economic injury in all 50 states, DC, and the territories may apply for an EIDL.
QUESTION:	What is an EIDL and what is it used for?
Answer:	EIDLs are lower interest loans of up to \$2 million, with principal and interest deferment at the Administrator’s discretion, that are available to pay for expenses that could have been met had the disaster not occurred, including payroll and other operating expenses.
QUESTION:	Who is eligible for an EIDL?
Answer:	Those eligible are the following with 500 or fewer employees: <ul style="list-style-type: none"> • Sole proprietorships, with or without employees • Independent contractors • Cooperatives and employee owned businesses • Tribal small businesses <p>Small business concerns and small agricultural cooperatives that meet the applicable size standard for SBA are also eligible, as well as most private non-profits of any size. See below for more info on size standards.</p>
QUESTION:	My private non-profit is not a 501(c)(3). Is it still eligible for an EIDL and a grant?
Answer:	Yes, if you are a private non-profit with an effective ruling letter from the IRS, granting tax exemption under sections 501(c), (d), or (e) of the Internal Revenue Code of 1954, <u>or</u> if you can provide satisfactory evidence from the State that the non-revenue producing organization or entity is a non-profit one organized or doing business under State law. However, a recipient that is principally engaged in teaching, instructing, counseling, or indoctrinating religion or religious beliefs, whether in a religious or secular setting, or primarily engaged in political or lobbying activities is not eligible to receive an EIDL. If you are uncertain whether you qualify, please consult with legal counsel to determine whether your organization meets program criteria.
QUESTION:	Who is eligible for an Emergency Economic Injury Grant?
Answer	Those eligible for an EIDL and who have been in operation since January 31, 2020 , when the public health crisis was announced.

QUESTION:	How long are Emergency Economic Injury Grants available?
Answer:	January 31, 2020 – December 31, 2020. The grants are backdated to January 31, 2020 to allow those who have already applied for EIDLs to be eligible to also receive a grant.
QUESTION:	If I get an EIDL and/or an Emergency Economic Injury Grant, can I get a PPP loan?
Answer:	Whether you've already received an EIDL unrelated to COVID-19 or you receive a COVID-19 related EIDL and/or Emergency Grant between January 31, 2020 and June 30, 2020, you may also apply for a PPP loan. If you ultimately receive a PPP loan or refinance an EIDL into a PPP loan, any advance amount received under the Emergency Economic Injury Grant Program would be subtracted from the amount forgiven in the PPP. However, you cannot use your EIDL for the same purpose as your PPP loan. For example, if you use your EIDL to cover payroll for certain workers in April, you cannot use PPP for payroll for those same workers in April, although you could use it for payroll in March or for different workers in April.
QUESTION:	How do I know if my business is a small business?
Answer:	Please visit https://www.sba.gov/size-standards/ to find out if your business meets SBA's small business size standards. You will need the 6-digit North American Industry Classification Code for your business and your business's 3-year average annual revenue.
QUESTION:	How do I apply for an economic injury disaster loan?
Answer:	To apply for an EIDL online, please visit https://disasterloan.sba.gov/ela/ . Your SBA District Office is an important resource when applying for SBA assistance.
QUESTION:	I am unfamiliar with the EIDL process, can anyone help me apply?
Answer:	Yes, SBA resource partners are available to help guide you through the EIDL application process. You can find the nearest Small Business Development Center (SBDC), Women's Business Center, or SCORE mentorship chapter at https://www.sba.gov/local-assistance/find/ .

Counseling & Training

If you, like many small business owners, need a business counselor to help guide you through this uncertain time, you can turn to your local Small Business Development Center (SBDC), Women’s Business Center (WBC), or SCORE mentorship chapter. These resource partners, and the associations that represent them, will receive additional funds to expand their reach and better support small business owners with counseling and up-to-date information regarding COVID-19. There will soon be a joint platform that consolidates information and resources related to COVID-19 in order to provide consistent, timely information to small businesses. To find a local resource partner, visit <https://www.sba.gov/local-assistance/find/>.

In addition, the Minority Business Development Agency’s Business Centers (MBDCs), which cater to minority business enterprises of all sizes, will also receive funding to hire staff and provide programming to help their clients respond to COVID-19. Not every state has a MBDC. To find out if there is one that services your area, visit [this site](#).

FREQUENTLY ASKED QUESTIONS

QUESTION: Do I have to pay for counseling and training through SBDCs, WBCs, and MBDCs?

Answer: Counseling is free and training is low-cost with these partners. The additional funds that Congress provided will help keep this possible. Mentorship through SCORE is always free.

QUESTION: What is a SBDC?

Answer: SBDCs are a national network of nearly 1,000 centers that are located at leading universities, colleges, state economic development agencies and private partners. They provide counseling and training to new and existing businesses. Each state has a lead center that coordinates services specifically for that state, which you can find by clicking the link above. To find out more about SBDCs, visit <https://americassbdc.org/about-us/>.

QUESTION: What is a WBC; is it only for women?

Answer: WBCs are a national network of more than 100 centers that offer one-on-one counseling, training, networking, workshops, technical assistance and mentoring to entrepreneurs on numerous business development topics. In addition to women, WBCs are mandated to serve the needs of underserved entrepreneurs, including low-income entrepreneurs. They often offer flexible hours to meet the needs of their diverse clientele. To find out more about WBCs, visit <https://www.awbc.org/>.

QUESTION: What is SCORE?

Answer: SCORE provides free, confidential business advice through our volunteer network of 10,000+ business experts. You can meet with a mentor online. Find out more [here](#).

QUESTION: Who do MBDCs serve?

Answer: MBDCs are a good option for minority-owned businesses (including those owned by Black, Hispanic, Asian American/Pacific Islander, and American Indian business owners), especially those seeking to penetrate new markets — domestic & global — and grow in size and scale.

Contracting

If you are a government contractor, there are a number of ways that Congress has provided relief and protection for your business. Agencies will be able to modify terms and conditions of a contract and to reimburse contractors at a billing rate of up to 40 hours per week of any paid leave, including sick leave. The contractors eligible are those whose employees or subcontractors cannot perform work on site and cannot telework due to federal facilities closing because of COVID-19.

If you need additional assistance, please reach out to your [local](#) Small Business Development Center, Women's Business Center, SCORE chapter, or SBA District Office. You should also work with your agency's contracting officer, as well as the agency's Office of Small and Disadvantaged Business Utilization (OSDBU).

Small Business Tax Provisions

Employee Retention Credit for Employers Subject to Closure or Experiencing Economic Hardship

This provision would provide a refundable payroll tax credit for 50 percent of wages paid by eligible employers to certain employees during the COVID-19 crisis. The credit is available to employers, including non-profits, whose operations have been fully or partially suspended as a result of a government order limiting commerce, travel or group meetings. The credit is also provided to employers who have experienced a greater than 50 percent reduction in quarterly receipts, measured on a year-over-year basis.

Wages of employees who are furloughed or face reduced hours as a result of their employer's closure or economic hardship are eligible for the credit. For employers with 100 or fewer full-time employees, all employee wages are eligible, regardless of whether an employee is furloughed. The credit is provided for wages and compensation, including health benefits, and is provided for the first \$10,000 in wages and compensation paid by the employer to an eligible employee. Wages do not include those taken into account for purposes of the payroll credits for required paid sick leave or required paid family leave, nor for wages taken into account for the employer credit for paid family and medical leave (IRC sec. 45S).

- **The credit is not available to employers receiving assistance through the [Paycheck Protection Program](#). The credit is provided through December 31, 2020.**

Delay of Payment of Employer Payroll Taxes

This provision would allow taxpayers to defer paying the employer portion of certain payroll taxes through the end of 2020, with all 2020 deferred amounts due in two equal installments, one at the end of 2021, the other at the end of 2022. Payroll taxes that can be deferred include the employer portion of FICA taxes, the employer and employee representative portion of Railroad Retirement taxes (that are attributable to the employer FICA rate), and half of SECA tax liability.

- **Deferral is not provided to employers receiving assistance through the [Paycheck Protection Program](#).**

Prepared by the **U.S. CHAMBER OF COMMERCE**

CORONAVIRUS EMERGENCY LOANS

Small Business Guide and Checklist



The Coronavirus Aid, Relief, and Economic Security (CARES) Act allocated \$350 billion to help small businesses keep workers employed amid the pandemic and economic downturn. Known as the Paycheck Protection Program, the initiative provides 100% federally guaranteed loans to small businesses.

Importantly, these loans may be forgiven if borrowers maintain their payrolls during the crisis or restore their payrolls afterward.

The administration soon will release more details including the list of lenders offering loans under the program. In the meantime, the U.S. Chamber of Commerce has issued this guide to help small businesses and self-employed individuals prepare to file for a loan.

Here are the questions you may be asking—and what you need to know.

1 Am I ELIGIBLE?

You are eligible if you are:

- A small business with fewer than 500 employees
- A small business that otherwise meets the SBA's size standard
- A 501(c)(3) 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

In addition, 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

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

2 What will lenders be LOOKING FOR?

In evaluating eligibility, lenders are directed to consider whether the borrower was in operation before February 15, 2020 and had employees for whom they paid salaries and payroll taxes or paid independent contractors.

Lenders will also ask you for a good faith certification that:

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 and the date this loan program becomes available into a new loan)

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.



What lenders will NOT LOOK FOR

- That the borrower sought and was unable to obtain credit elsewhere.
- A personal guarantee is not required for the loan.
- No collateral is required for the loan.

3

How much can I BORROW?

Loans can be up to 2.5 x the borrower's average monthly payroll costs, not to exceed **\$10 million**.



How do I calculate my average monthly PAYROLL COSTS?



sum of
INCLUDED
payroll costs

-

sum of
EXCLUDED
payroll costs

=

**PAYROLL
COSTS**

INCLUDED Payroll Cost:

- 1. 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
- 2. For Sole Proprietors, Independent Contractors, and Self-Employed Individuals:** The sum of payments of any compensation to 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.

EXCLUDED Payroll Cost:

1. 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
2. Payroll taxes, railroad retirement taxes, and income taxes
3. Any compensation of an employee whose principal place of residence is outside of the United States
4. 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

NON SEASONAL EMPLOYERS:

Maximum loan =

2.5 X Average total monthly payroll costs incurred during the year prior to the loan date

For businesses not operational in 2019:

2.5 X Average total monthly payroll costs incurred for January and February 2020

SEASONAL EMPLOYERS:

Maximum loan =

2.5 X Average total monthly payments for payroll costs for the 12-week period beginning February 15, 2019 or March 1, 2019 (decided by the loan recipient) and ending June 30, 2019

4

Will this loan be FORGIVEN?

Borrowers are eligible to have their loans forgiven.

How Much?

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.

How could the forgiveness be reduced?

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. Specifically:

Reduction based on reduction of number of employees



PAYROLL COST
Calculated on page 2

X

Average Number of Full-Time Equivalent Employees (FTEs) Per Month for the 8-Weeks Beginning on Loan Origination

÷

Option 1:

Average number of FTEs per month from February 15, 2019 to June 30, 2019

Option 2:

Average number of FTEs per month from January 1, 2020 to February 29, 2020

For Seasonal Employers:

Average number of FTEs per month from February 15, 2019 to June 30, 2019

Reduction based on reduction in salaries



PAYROLL COST
Calculated on page 2

-

For any employee who did not earn during any pay period in 2019 wages at an annualized rate more than \$100,000, the amount of any reduction in wages that is greater than 25% compared to their most recent full quarter.

What if I bring back employees or restore 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.

WHAT'S NEXT?

Look out for more information about eligible lenders and additional guidance from the SBA soon.

For more guidance and resources for small businesses, visit uschamber.com/co