



GARRETT HEMANN ROBERTSON P.C.

## SBA Paycheck Protection Program (PPP) Loans for Small Businesses

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The following information is intended to assist small businesses applying for SBA loans through the Paycheck Protection Program (PPP).

### When to Apply

- April 3 – Small businesses and sole proprietorships can begin applying for PPP loans.
- April 10 – Self-employed individuals and independent contractors can begin applying.
- June 30 – Application closes, however, the SBA is encouraging businesses to **apply as quickly as possible** due to the funding cap on the PPP loans and forgiveness and the high amount of expected interest.

### How to Apply

#### **Contact Your Bank**

- Most lenders are only accepting applications from current banking customers. Reach out to your bank to see if they are currently accepting loan applications.

#### **Application and Required Documentation**

- See the [PPP Application](#).
  - If you are utilizing GHR as an agent, also fill out the Fee Disclosure Agreement, which we will provide.
- The SBA requires **Documentation of Payroll Costs** for 2019, however, banks may have preferred documents to establish eligibility. Most banks require:
  - **Businesses with Employees:**
    - Form 941 for all four quarters of 2019; or
    - Form 944 for 2019.
  - **Sole Proprietorships:**
    - 2019 1040 Schedule C; or
    - If 2019 1040 has not been filed, 2018 1040 Schedule C
  - **Additional Documentation (if applicable) of:**
    - Costs of benefits
    - Payment for vacation, parental, family, medical, or sick leave
    - Payments of state or local payroll taxes (including Oregon payroll taxes)
    - Payments for retirement benefits
- **Additional Documentation**, required by some banks, includes:
  - Articles of Organization or Incorporation
  - Operating Agreement
  - Q1 2020 Payroll Summaries





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- **Alternative documentation** which banks *may consider* in lieu of the preferred tax documentation of payroll costs include:
  - Payroll processor records;
  - Bank records, sufficient to demonstrate the qualifying payroll amount.

#### **Loan Forgiveness**

- Loan forgiveness for amounts used for rent, mortgage interest, utilities, and payroll costs during the 8 weeks following disbursement of the loan.
- Forgiveness for non-payroll expenses is capped at 25% of total forgiveness.
- Forgiveness will be reduced by reductions in full time employees and wage cuts over 25%.
- Employers can avoid layoff reductions by rehiring workers by June 30, 2020.

#### **Additional PPP Loan Resources**

- [PPP Overview \(U.S. Treasury Department\)](#)
- [PPP Information Sheet for Borrowers \(U.S. Treasury Department\)](#)





Frequently Asked Questions

Loan Forgiveness

- **What if I already laid off workers, do I need rehire them before I apply?**
  - No. Workers laid off beginning February 15 through April 26 will not affect loan forgiveness **IF** they are rehired prior to June 30, 2020. Due to the high amount of expected applications the SBA suggests applying as soon as possible, you may want to reevaluate your staffing when you have a better idea of when the loan will be disbursed.
  
- **What expenses are eligible for forgiveness?**
  - Rent and mortgage interest payments on leases or mortgages in place
  - Utilities expenses.
  - Payroll costs (see **Payroll Costs** below), subject to the same limitations used in calculating the average payroll costs for purposes of the maximum loan amount.
  
- **Is there a limit to the amount of forgiveness for non-payroll costs, like rent, mortgage, or utilities?**
  - While the CARES Act, which established the PPP loan program doesn't place limits on non-payroll forgiveness, the SBA has indicated they will likely cap the amount of non-payroll expenses at 25% of total loan forgiveness.
  
- **If I don't rehire employees before June 30, or have to do layoffs after April 26, how much will my loan forgiveness be reduced.**
  - Loan forgiveness will be reduced in step with the percentage reduction of average full-time equivalent employees who are not rehired by June 30, or are laid off after April 26.
    - *Example 1.* – You have \$10,000 of expenses eligible for forgiveness during the 8-week period following the loan. During the applicable period in 2019 you had an average of 10 employees per month, but during the 8-week period following the loan you only employed 7 employees and did not rehire additional FTE prior to June 30. Your forgiveness amount would be reduced from \$10,000 to \$7,000

$$\begin{array}{r}
\$10,000 \text{ costs eligible for forgiveness} \\
\times \text{ (multiplied by)} \\
70\% \text{ (7 FTE during 8-week period } \div \text{ 10 FTE during 2019)} \\
\hline
\$7,000 \text{ of total forgiveness}
\end{array}$$

Payroll Costs

- **What payroll costs are included when calculating Average Monthly Payroll for the application?**
  - **Payroll costs** are the costs of salary and wages, benefits, and state and local payroll taxes, subject to the limitations below.
    - **Includes** payments of compensation that is a:





- Salary, wage, commission, or similar compensation;
  - Payment of cash tip or equivalent;
  - Payment for vacation, parental, family, medical, or sick leave\*(see **Exclusions**);
  - Allowance for dismissal or separation;
  - Payment required for the provision of group health care benefits, including insurance premiums;
  - Payment of any retirement benefit;
  - Payment of state or local taxes on employee compensation;
  - 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 capped at \$100,000 annually and prorated for the 8-week covered period.
- **Exclusions, eligible payroll costs do not include:**
    - Compensation of an individual employee in excess of an annual salary of \$100,000, prorated for the 8-week covered period;
    - Taxes imposed or withheld under chapters 21, 22, or 24 of the federal tax code (including federal payroll taxes);
    - Compensation of an employee whose principal place of residence is outside the United States;
    - Qualified sick leave wages or family leave wages for which a credit is allowed under the Families First Coronavirus Response Act.
- **What payroll costs are included when calculating Average Monthly Payroll (and forgiveness)**
    - **Payroll costs** eligible for forgiveness are the same type as those used to calculate payroll costs for average monthly payroll costs (see prior question), incurred over the 8-week forgiveness period.
  - **What time period should I use to determine my average monthly payroll?**
    - **Most businesses** will use average monthly payroll for 2019 (for non-seasonal businesses in operation throughout 2019).
    - **Seasonal businesses** may opt to use their average monthly payroll from February 15, 2019 to June 30, 2019.
    - **New businesses** (not in operation throughout 2019) will use average monthly payroll from January 1, 2020 to February 29, 2020.

*Michael Keane is a Shareholder in the Business section.*

Rules and refinements are still being written and this program continues to be updated, so check with your advisers for the most current information.

