



CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT (CARES ACT)

PAYCHECK PROTECTION PROGRAM (PPP)

The PPP is part of the \$2 trillion stimulus package signed into law by the President on Friday, March 27, 2020. It provides \$349 billion to the Small Business Administration (SBA) to expand the ability of small businesses to obtain loans under Section 7(a) of the Small Business Act. The PPP allows SBA to provide 100% federally guaranteed loans to small businesses to pay operational costs such as payroll, health care, rent, mortgage interest, and utilities. If businesses maintain their payroll, the loans can be forgiven up to the amount spent on eligible costs.

**Because the federal government continues to issue new guidelines for the PPP, please visit the SBA and Treasury websites listed below for the most up-to-date information.*

Eligibility:

- Small businesses as defined by SBA size standards (generally up to 500 employees, but up to 1,500 employees depending on the sector and certain sectors are based on revenue.)
- 501(c)(3) non-profits with fewer than 500 employees.
- Sole proprietors, the self-employed, and independent contractors.
- Businesses must have been in operation on February 15, 2020 and paid employee salaries and payroll taxes or paid independent contractors.

Key Provisions:

- Loans will be administered through local and regional banks; any federally regulated bank may become an SBA lender for this purpose. You do not have to visit any government institution to apply for the program. You have until June 30, 2020 to apply.
- Loans have an interest rate of 1% and a maturity of two years (there are no prepayment penalties or fees).
- The maximum loan amount is 2.5 times the borrower's average monthly payroll, and loans are capped at \$10 million.
- Payroll costs exclude compensation paid to individuals above \$100,000 a year.
- No personal guarantees or collateral are required.
- Payments are deferred for 6 months, but interest will continue to accrue over this period.
- Loans can be forgiven up to the amount spent by the borrower during the 8 weeks from loan origination on payroll costs up to \$100,000 (per employee) in wages, mortgage interest, rent or utilities. Forgiveness is reduced by layoffs or pay reductions in excess of 25%. Treasury guidelines state that it is anticipated that 75% of the amount forgiven must be used to cover payroll costs, and only 25% of the forgiveness amount may be used for rent, utilities, and interest on mortgage.
- Forgiveness is not treated as taxable income.

The PPP Application Form can be found [here](#).



Small businesses and sole proprietorships can begin obtaining loans from participating lenders as soon as Friday, April 3, 2020. Independent contractors and self-employed individuals can begin applying on April 10, 2020.

Sources and Additional Information:

<https://www.statechambers.org/assets/cv/Paycheck%20Protection%20Program%20FAQs%20for%20Small%20Businesses%20FINAL.PDF>

<https://www.sba.gov/funding-programs/loans/paycheck-protection-program-ppp>

<https://home.treasury.gov/system/files/136/PPP%20Borrower%20Information%20Fact%20Sheet.pdf>

<https://www.venable.com/insights/publications/2020/03/the-cares-act-what-you-need-to-know-about>

<https://www.gachamber.com/wp-content/uploads/2020/03/SBA-Emergency-Loans-.pdf>

<https://www.gachamber.com/wp-content/uploads/2020/03/Federal-Stimulus-Package-Phase-1-3-final.pdf>

<https://www.sba.gov/funding-programs/loans>

<https://www.sba.gov/local-assistance>

<https://www.natlawreview.com/article/cares-act-paycheck-protection-program>