Coronavirus Aid, Relief, and Economic Security Act ("CARES Act")

Paycheck Protection Program

Last Update – 4/3/2020. Updates to previous version are underlined, bolded, and italicized.


1. **Eligible Entities**
   a. Businesses with fewer than 500 employees, as well as for certain non-profit organizations that were in operation on February 15, 2020.\(^1\)
   b. Had employees it paid salaries to and paid payroll taxes or paid independent contractors (Form 1099-Misc)

2. **Loan Forgiveness**
   a. Loans used by borrowers for payroll expenses (paid leave & certain other employee benefits), mortgage and rent expenses and utility expenses during the eight-week period following the closing of a loan under the Program will qualify for debt forgiveness.
   b. Loans to those that reduced workforce after 2/15/2020 due to the Coronavirus may qualify by rehiring those employees by 6/30/2020.
   c. Debt Forgiven under the loan is not considered income for federal income taxes.
   d. Not more than 25% of the forgiven amount may be for non-payroll costs.\(^2\)

3. **Loan Forgiveness**
   a. Request loan forgiveness from the lender that is servicing the loan.
   b. The request will include documents that verify:
      i. The number of full-time equivalent employees and pay rates; and
      ii. Payments on eligible mortgage, lease, and utility obligations.
   c. 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.
   d. The lender must make a decision on the forgiveness within 60 days.\(^3\)

4. **Collateral/Guarantee:** Not required to be provided by the borrower under this program.

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\(^2\) Paycheck Protection Program (PPP) Information Sheet: Borrowers, U.S. Department of Treasury, page 2

\(^3\) Paycheck Protection Program (PPP) Information Sheet: Borrowers, U.S. Department of Treasury, page 3
5. **Loan amount** is calculated by multiplying the average monthly payroll costs X 2.5.

a. Check with your current bank to see if it is an approved SBA Section 7(a) lender. TMA Medical Banking is a Section 7 (a) lender. Contact TMA Medical Banking at info@tmamedicalbanking.com to obtain their assistance with a loan.

b. **Sample loan calculations are included in the SBA Interim Final Rule on page 8**

c. The checklist of items to gather that *may* be needed for the loan application:

   i. Average total monthly payments for payroll costs\(^4\) for the one year period prior to the loan;
      1. *Per the SBA, you may NOT include payments to independent contractors.*\(^5\)
      2. *Suggested documents: payroll processor records, payroll tax filings, or Form 1099-MISC, or income and expenses from a sole proprietorship. If you do not have this documentation, you must provide bank records sufficient to demonstrate the qualifying payroll amount.*\(^6\)
   ii. The loan *may require* financial statements (current year and prior years);
   iii. The loan *may require* tax returns for the three previous years; and
   iv. The federal government *may require* proof for accounts owed and due. (For example, utility bills, a statement from your mortgage company, monthly bill from lender, etc.).

d. It might be useful to track these items or be able to access them for the forgiveness portion of the loan:

   i. Mortgage interest or monthly rent for January 1, 2020 through June 30, 2020
   ii. Utilities paid from January 1 to June 30;
   iii. Interest on any other outstanding active debt related to the business from January 1 June 30 (i.e. medical equipment, etc.);

\(^4\) The legislation defines payroll costs as payments of compensation to employees that is a salary, wage, commission, or tips capped at $100,000 on an annualized basis for each employee, payment for vacation, parental/family/medical/sick leave, payment for group health care benefits including insurance premiums, payment of retirement benefits, and payment of state/local tax assessed on employee compensation. From the [Department of Treasury’s Guidance](https://www.treasury.gov/resource-center/tax-policy/Paycheck-Protection-Act/Pages/paycheck-protect.aspx): For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at $100,000 on an annualized basis for each employee. Items NOT included as payroll costs: 1. Compensation of an employee in excess of $100,000 annually; 2. Taxes imposed or withheld under chapters 21, 22, or 24 of the Internal Revenue Code of 1986 (21 Expenses for Household and Dependent Care Services, 22 Credit for the Elderly and Permanently and Totally Disabled, 24 Child Tax Credit); 3 Compensation for any employee outside the US; 4. Sick leave or family leave for which a credit is allowed under [Families First Coronavirus Response Act](https://www.treasury.gov/resource-center/tax-policy/Paycheck-Protection-Act/Pages/paycheck-protect.aspx).


6. **Interest rate**
   a. The interest rate is 0.5% for the portions that do not qualify for debt forgiveness.

7. **Loan term:**
   a. Two years. There is no penalty for paying the loan off before the end of the two-year term.
   b. Payment on the loan is deferred for six months from the date the loan originates and interest accrues over this time. 7

8. **Loan Funds Use:** The funds from a loan must be used for:
   a. Payroll costs 8;
   b. Payments of interest on a mortgage obligations incurred before 2/15/2020 9 (may not prepay or pay on the principal of a mortgage);
   c. Rent, under lease agreements in force before 2/15/2020;
   d. Utilities, for which service began before February 15, 2020; and
   e. Interest on any other debt obligations that were incurred before the covered period of 2/15/2020 to 6/30/2020.

9. **Loan Application**
   a. The borrower needs to complete the Paycheck Protection Program loan application 10.
   b. You may only apply for a loan from PPP one time only 11.

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7 Paycheck Protection Program (PPP) Information Sheet: Borrowers, U.S. Department of Treasury, page 3  
8 See definition of payroll costs in 1 above.  
9 Paycheck Protection Program (PPP) Information Sheet: Borrowers, U.S. Department of Treasury, page 2  
10 Paycheck Protection Program (PPP) Information Sheet: Borrowers, U.S. Department of Treasury, page 1  
11 Paycheck Protection Program (PPP) Information Sheet: Borrowers, U.S. Department of Treasury, page 1