



Appendix A: CARES Act Paycheck Protection Program Guide

April 1, 2020

Eligibility

An employer is eligible if it satisfies one of the following:

- A small business, 501(c)(3) nonprofit, 501(c)(19) veterans organization or tribal business concern that employs, on its own or in combination with its affiliates (Small Business Association's affiliation rules are described here), no more than the greater of the following:
 - 500 employees
 - The number of employees identified in [SBA's size standards table](#) based on industry
- An individual that is a sole proprietor, independent contractor or self-employed
- A business with 500 or more employees that satisfies one of the following:
 - A hospitality or food service business with a North American Industry Classification System Code beginning with 72, that employs no more than 500 employees per physical location
 - A franchise on the [SBA's Franchise Directory](#)
 - A business that receives financial assistance from an approved Small Business Investment Company.

How to determine employee count: Use the average number of people employed for each pay period over the business' latest 12 calendar months. Any person on the payroll must be included as one employee, regardless of hours worked or temporary status. The number of employees of an organization in business less than 12 months is the average for each pay period that it has been in business.

Application

The lender, which includes all approved SBA lenders and additional lenders, will ask for a certification of the following information:

- The business was in operation before Feb. 15, 2020, and paid wages and payroll taxes or paid independent contractors.
- Good faith certification of the following:
 - The uncertainty of the current economic conditions makes the loan necessary to support the organization’s ongoing operations.
 - The organization will use the funds to retain workers, maintain payroll, or make mortgage, lease or utility payments.
 - The organization does not have an application pending for a duplicative payment protection loan.
 - During the period beginning Feb. 15, 2020, and ending Dec. 31, 2020, the organization has not received any other payment protection loan.
- The SBA will develop rules for additional documents (e.g., tax forms) from sole proprietors, independent contractors and self-employed individuals.

Unlike other SBA loans, the lender cannot require:

- A certification that the organization is not eligible for other loans
- A personal guarantee
- Collateral

UPDATE: [Applications and other guidance](#) are now available!

Maximum loan amount

The maximum loan amount is the greater of \$10 million or:

- **Nonseasonal employers in existence in 2019:** 2.5x average total monthly payroll costs incurred during the year prior to the loan date.
- **Nonseasonal employers not in existence in 2019:** 2.5x the average total monthly payroll costs incurred for January and February 2020.
- **Seasonal employers:** 2.5x the average total monthly payments for payroll costs for the 12-week period beginning Feb. 15, 2019, or Mar. 1, 2019, (decided by the loan recipient) and ending June 30, 2019.

Calculating average payroll costs

AVERAGE PAYROLL COSTS

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INCLUDED COSTS

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EXCLUDED COSTS

Included payroll costs for employees:

- Salary, wages, commissions or similar compensation
- Cash tips or their equivalent
- Payment for vacation, parental, family, medical or sick leave
- Severance pay
- Group healthcare benefits premiums
- Retirement plan contributions
- State or local taxes assessed on the employee's compensation

Included payroll costs 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 not more than \$100,000 in one year, as prorated for the covered period.

Excluded costs:

- Compensation of an individual employee in excess of an annual salary of \$100,000, as prorated for the period Feb. 15 to June 30, 2020
- Payroll taxes, railroad retirement taxes and income taxes
- Compensation to an employee whose principal place of residence is outside the United States
- Qualified sick or family leave wages for which a credit is allowed under the [Families First Act](#)

Loan uses

- Payroll costs (as defined above)
- Group healthcare benefits during periods of paid sick, medical or family leave, and insurance premiums
- Payments of interest on mortgage obligations
- Rent or lease agreement payments
- Utilities
- Interest on any other debt obligations incurred before the covered period

Loan forgiveness

A portion of the principal amount of a paycheck protection loan will be forgiven for borrowers that meet certain conditions.

CAUTION! Guidance explains: “Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.”

$$\text{LOAN FORGIVENESS} = \text{QUALIFIED EXPENSES} - \text{REDUCTIONS}$$

Qualified expenses are equal to the amount the organization spent on the following items during the eight-week period beginning on the date the loan is funded:

- Payroll costs (as defined above)
- Interest the mortgage obligation incurred in the ordinary course of business
- Rent on a leasing agreement
- Payments on utilities
- For borrowers with tipped employees, additional wages paid to those employees

Reductions: There are two types of reductions to the loan forgiveness amount:


PAYROLL COST
Calculated above
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Average number of full-time equivalent employees (FTEs) per month for the eight weeks beginning on loan origination
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Option 1:
Average number of FTEs per month from Feb., 15, 2019, to June 30, 2019

Option 2:
Average number of FTEs per month from Jan. 1, 2020, to Feb. 29, 2020

For Seasonal Employers:
Average number of FTEs per month from Feb. 15, 2019, to June 30, 2019

Reduction based on reduction in salaries


PAYROLL COST
Calculated above
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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.

Rehires and restored wages: Reductions in employment or wages that occur during the period beginning on Feb. 15, 2020, and ending April 26, 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.



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