



# SBA - Financial Assistance for Small Businesses

## CARES Act H.R.748

- **Paycheck Protection Program**
- **Loans & Loan Forgiveness**

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# Summary of 2 elements of H.R.748

Congress passed, and the President signed the CARES Act. This presentation is a summary of 2 (two) principle elements intended to assist Small Businesses.

## [The Paycheck Protection Program \(link\)](#)

Prioritizes millions of Americans employed by small businesses by authorizing up to \$349 Billion toward job retention and certain other expenses. Small businesses...as well as individuals who are self-employed or independent contractors, are eligible...

## [Loans & Loan Forgiveness \(link\)](#)

- Eligible recipients may qualify for a loan of up to \$10 million determined by 8 weeks of prior average payroll plus an additional 25% of that amount
- Loan payments will be deferred for six months
- If you maintain your workforce, SBA will forgive the portion of the loan proceeds that you use to cover the first 8 weeks of payroll and certain other expenses following loan origination

# Paycheck Protection Program

Increases the government loan guarantee to 100% through December 31, 2020

## Who's making the loans?

Banks and financial institutions. A lender approved to make loans is deemed to have been delegated authority by the SBA to make and approve covered loans

## How are banks evaluating the borrower?

The SBA lender will consider whether the small business:

- was in operation on February 15, 2020 and
- had employees for whom they paid salaries and payroll taxes or
- paid independent contractors as reported on a Form 1099

# Paycheck Protection Program

## Employee Definition

- Employees include full-time, part-time or other basis individuals
- Individuals who operate under a sole proprietorship or as an independent contractor and self-employed individuals are eligible to receive a covered loan

# Paycheck Protection Program

## Maximum Loan Amount

Beginning on February 15, 2020 and ending on June 30, 2020, the maximum loan amount is the lesser of:

- the average total monthly payroll costs incurred during the 1 year period before the date on which the loan is made multiplied by 2.5X
- plus the outstanding loan amounts that were made beginning on January 31, 2020 and ending on the date you receive this loan, eligible to be refinanced under this loan or
- \$10,000,000

**Special rules exist for seasonal employers and businesses not in existence from 2/15/2019 thru 6/30/2019**

# Paycheck Protection Program

## Payroll Costs include:

- salary, wage, commission...
- payment of cash tips...
- payment of vacation, parental, family, medical or sick leave
- allowance for dismissal or separation
- Benefits - group health care benefits, including insurance premiums
- payment of any retirement benefits
- payment of state or local tax assessed on the compensation of employees
- the sum of compensation/income of a sole proprietor or independent contractor that is a wage, commission, income, net earnings from self-employment, or similar compensation, not to exceed \$100,000 in 1 year, prorated for the period February 15, 2020 - June 30, 2020

# Paycheck Protection Program

## Payroll Costs do NOT include:

- compensation of any employee in excess of \$100,000/year as prorated for the period beginning on February 15, 2020 - June 30, 2020
- taxes imposed or withheld under FICA (Social Security and Medicare), Railroad Retirement Act, and IRC Chapter 24
- any compensation for an employee whose principal place of residence is NOT in the US
- qualified sick leave or family leave wages for which a credit is allowed under the Families First Coronavirus Response Act

# Paycheck Protection Program

## Approved loan uses

Between February 15, 2020 - June 30, 2020, the recipient can use the loan proceeds for:

- payroll costs (refer to slide 7)
- group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums
- employee salaries, commission, or similar compensation
- payments of interest on any mortgage obligation
- rent (including a lease agreement)
- utilities
- interest on any other debt obligations that were incurred before the period

# Paycheck Protection Program

## Good Faith Certifications

An eligible recipient must make a good faith certification that:

- the uncertainty of current economic conditions makes the loan request necessary to support the ongoing operations
- funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments, and utility payments
- They do not have an application pending for a loan under this subsection for the same purpose...
- beginning on February 15, 2020 – December 31, 2020, that they have not received amounts for the same purpose...or received under a covered loan

# Paycheck Protection Program

## **Nonrecourse!**

The SBA has no recourse against any individual shareholder, member, or partner of an eligible recipient of a covered loan for nonpayment of any covered loan UNLESS it is used for a purposes not authorized

## **No Personal Guarantee OR Collateral!**

Between February 15, 2020 - June 30, 2020, NO Personal Guarantee is required for the covered loan and NO collateral is required

## **No Fees!**

The SBA will NOT collect a fee

# Paycheck Protection Program

## Payment deferment

Between February 15, 2020 - June 30, 2020, the SBA provides complete payment deferment relief for impacted borrowers for 6 months - 1 year

- Includes the payment of principal, interest, and fees

An impacted borrower is a small business who is in operation on February 15, 2020 and has an application for a loan that is approved or pending

# Loan Forgiveness

## What counts toward loan forgiveness?

An approved recipient is eligible for loan forgiveness in an amount equal to the sum of the following costs incurred during **the 8-week period beginning on the date of the origination of a covered loan**

- payroll Costs (refer to slide 7)
- payments of interest on any covered mortgage obligation
  - any debt that is a liability of the borrower, is a mortgage on real or personal property and was incurred before 2/15/2020
- payment of rent made under a leasing agreement in force before 2/15/2020
- utility payments related to electricity, gas, water, transportation, telephone or Internet access in service before 2/15/2020

# Loan Forgiveness

## Information required for loan forgiveness

- the number of full time equivalent (FTE) employees on payroll and pay rates including payroll tax filings reported to the IRS and State income, payroll, and unemployment insurance filings
- cancelled checks, payment receipts, transcripts of accounts, or other documents verifying payments on mortgage obligations, payments on lease obligations, and utility payments

# Loan Forgiveness

## Information required for loan forgiveness (continued)

- certification from an eligible recipient that:
  - the documentation presented is true and correct
  - amount for which forgiveness is requested was used to retain employees, make interest payments on a mortgage obligation, make payments on a rent obligation, and / or make utility payments
- any other documentation the administrator determines is necessary

**No recipient shall receive loan forgiveness without submitting the required documentation**

# Loan Forgiveness

## Loan forgiveness decision

No later than **60 days** after the lender receives an application for loan forgiveness, the lender will issue a decision on the application

## Taxation

Any loan forgiveness amount is excluded from gross income

# Loan Forgiveness

## Reduction in loan forgiveness amount

- The amount of loan forgiveness may be reduced if full time equivalent (FTE) employees are less when compared to the average number of employees per month during the period beginning February 15, 2019 - June 30, 2019 OR January 1, 2020 - February 29, 2020
- Reductions also exist for certain total salary or wage reductions in excess of 25%
- Special rules exist for tipped workers and rehires during a certain time frame

# Applying For Financial Assistance

**Contact your banker or other SBA approved lender NOW!**

## **SBA Resources & Contact Information:**

- Apply online using the Electronic Loan Application (ELA) via SBA's secure website at <https://disasterloan.sba.gov/ela>.
  - (We've been told that the online application is overwhelmed. A paper application may be your best option.)
- Paper loan applications can be downloaded from [www.sba.gov/disaster](http://www.sba.gov/disaster).  
Completed applications should be mailed to:

U.S. Small Business Administration  
Processing and Disbursement Center  
14925 Kingsport Road  
Fort Worth, TX 76155

- SBA's Customer Service Center at 800-659-2955 or by sending an email to [disastercustomerservice@sba.gov](mailto:disastercustomerservice@sba.gov)

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