

# Paycheck Protection Program under CARES Act

By Angela Hughes and Frank Swain

<b>What is it?</b>	\$349 billion loan program for small businesses
<b>Who is eligible?</b>	Employers who qualify under tradition SBA rules, or have fewer than 500 employees.  Eligibility is subject to aggregation with affiliated entities, except for: <ul style="list-style-type: none"> <li>• Businesses with an NAICS code beginning with 72 who may not have more than 500 employees per location</li> <li>• Businesses operating as a franchise with a franchise identifier code assigned by the SBA</li> <li>• Businesses receiving funding from a Small Business Investment Company</li> </ul>
<b>When do I determine my number of employees?</b>	Average number of employees per pay period for the twelve completed months prior to the loan application; or  Average number of employees per pay period for the calendar year 2019
<b>Do I count independent contractors?</b>	No; 1099 recipients do not count as employees
<b>Where do I apply?</b>	Apply through thousands of banks across the country providing small business loans
<b>How much can I get?</b>	250% of your average monthly payroll costs for the period of twelve months prior to the loan application, or calendar year 2019; capped at \$10 million  Special calculations apply for seasonal businesses and businesses not open during the period above  Payroll costs (up to \$100k) include salaries, wages, or similar compensation, payments of cash tip or equivalent; vacation, parental, family and medical leave; allowance for dismissal and separated employees; insurance premiums; state and local taxes; retirement benefits
<b>How can I use the money?</b>	Any business-related expense for the 8 weeks beginning on the day you receive your loan

<b>Interest rate</b>	1%
<b>Collateral</b>	No
<b>Personal guarantee</b>	No
<b>Upfront loan fees</b>	No
<b>Is this loan forgivable?</b>	<p>Yes, so long as:</p> <ul style="list-style-type: none"> <li>• your FTEs are brought back up by June 30, 2020;</li> <li>• a minimum of 75% of the proceeds are used for payroll;</li> </ul> <p>Any reduction in headcount will pro-rata reduce the amount subject to forgiveness.</p>
<b>What can be forgiven?</b>	Eight weeks of eligible expenses; (payroll costs, utilities, rent and interest on preexisting debt)
<b>Deferment</b>	Six months
<b>Can I utilize payroll tax credits with this loan?</b>	No
<b>Term</b>	Two years
<b>Pre-payment penalty</b>	No