



# Paycheck Protection Program

January 19, 2021

# Agenda

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- ▶ The 4 Things You MUST Do
- ▶ Qualifying for PPP Funds
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- ▶ What Can/Should Funds Be Used For (Forgiveness)
- ▶ What Documentation Do You Need to Apply
- ▶ What Should You Do Next
- ▶ Resources
- ▶ Your Questions/Needs

# What is PPP?

- ▶ Paycheck Protection Program
  - ▶ Primary purpose of the PPP is to:
    - ▶ retain your employees.
    - ▶ deliver additional aid to small businesses that previously received a First Draw PPP Loan.
  - ▶ Low-interest loans to qualifying businesses.
    - ▶ 1% loans.
    - ▶ 5 year maturity.
    - ▶ Will be forgiven if used in specified way.
  - ▶ First Draw vs. Second Draw

# PPP Loans

- ▶ 1% interest.
- ▶ New loans have a 5-year maturity.
- ▶ Choose 8 or 24 week period to use loan.
- ▶ No collateral or personal guarantees are required.
- ▶ Neither the government nor lenders will charge small businesses any fees.
- ▶ \$284 Billion
- ▶ Can apply until March 31, 2021.

# The 4 Things You MUST Do

1. Contact your bank to find out if they are participating in this round of funding.
2. Find out what their application process is.
3. Gather the documentation to apply for the loan.
4. Calculate your average monthly payroll costs.

# Key differences between 1st Draw Loan (PPP1) and 2nd Draw (PPP2)

- ▶ 500 vs. 300 employees
- ▶ Second draw, 25% revenue loss quarter over quarter
- ▶ Must spend or will spend PPP money from first draw
- ▶ \$10M max vs. \$2M max
- ▶ 2.5 vs. 3.5 monthly payroll cost for hotel/restaurant (NAICS 72)

# Do You Qualify for PPP “First Draw” Funds (PPP1)?

- ▶ Been in business on/before February 15, 2020.
- ▶ 500 employees or less.
  - ▶ If NAICS code that begins with 72 (Accommodations and Food Services) that has more than one physical location and employs less than 500 per location
- ▶ Meet the necessity clause.
  - ▶ Current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.
- ▶ Other certifications (check box on application)

# Do You Qualify for PPP “Second Draw” Funds (PPP2)?

- ▶ Been in business on/before February 15, 2020.
- ▶ 300 employees or less.
- ▶ 25% loss of revenue year over year, for a quarter.
- ▶ Meet the necessity clause.
- ▶ Have spent, or will spend, PPP money from first draw.
- ▶ Other certifications (check box on application)

# How Much You Can Get

- ▶ 2.5 times your average monthly payroll costs.
- ▶ 3.5 times your average monthly payroll costs (hotel/restaurant industry).
  - ▶ Second draw only
- ▶ \$10M max (PPP1), \$2M max (PPP2)
- ▶ How to calculate your loan amount.
  - ▶ [https://www.sba.gov/sites/default/files/2020-12/How-to-Calculate-Loan-Amounts-508\\_6-26-20.pdf](https://www.sba.gov/sites/default/files/2020-12/How-to-Calculate-Loan-Amounts-508_6-26-20.pdf)
- ▶ Payroll Costs
  - ▶ Salary, wage, commission, or similar compensation. (\$100k/employee max)
  - ▶ Cash tip or the equivalent.
  - ▶ Vacation, parental, family, medical or sick leave.
  - ▶ Severance pay.
  - ▶ Group insurance policies - health, life, disability, vision, dental.
  - ▶ Retirement benefits.
  - ▶ State or local tax assessed on compensation of employees.

# What Can/Should Funds Be Used For (Forgiveness)

1. At least 60% spent on payroll, maintaining employees.
  - ▶ Number of employees and compensation levels are maintained.
  - ▶ If use less, receive partial forgiveness.
2. 40% max. on other expenses.
3. Must use funds in an 8 to 24 week period.
  - ▶ First draw loans of \$2M or more will be reviewed closely.
  - ▶ During forgiveness process, be mindful of employee retention tax credit.
  - ▶ Can apply for forgiveness any time up to the maturity date of your loan. If you don't apply within 10 months after your covered period (deferred period), loan payments must be made.

# 60% on Payroll Costs

## ▶ Payroll Costs

- ▶ Salary, wage, commission, or similar compensation. (100K/employee max)
- ▶ Cash tip or the equivalent.
- ▶ Vacation, parental, family, medical or sick leave.
- ▶ Severance pay.
- ▶ Group insurance policies - health, life, disability, vision, dental.
- ▶ Retirement benefits.
- ▶ State or local tax assessed on compensation of employees.

# 40% on Other Expenses

- ▶ Mortgage obligations incurred prior to February 15th, 2020.
- ▶ Rent obligations for leases entered into prior to February 15th, 2020.
- ▶ Utilities (including payment for the distribution of electricity, gas, water, transportation, telephone, or internet access for which service began before February 15, 2020).
- ▶ Covered operation expenditures (software, cloud computing, accounting - this is a work from home accommodation).
- ▶ Covered worker protection expenditure (PPE, etc.).
- ▶ Covered property damage costs.
- ▶ Covered supplier costs.

# Highlights - Review

- ▶ 1% loans (but good chance they will be forgiven)
- ▶ Less than 500/300 employees
- ▶ 2.5/3.5 times monthly payroll costs
- ▶ \$10M/\$2M maximum
- ▶ Will be forgiven if:
  - ▶ At least 60% payroll
  - ▶ 40% qualified expenses
- ▶ 8 to 24 weeks to use
- ▶ Necessity clause (and other certifications)
- ▶ First draw - fewer qualifiers than 2<sup>nd</sup> draw.
- ▶ 25% loss of revenue, quarter over quarter (2<sup>nd</sup> Draw)

# What Documentation Do You Need to Apply for PPP

- ▶ Business with Employees (S, C Corps)
  - ▶ Form 941
  - ▶ State quarterly wage unemployment insurance tax reporting forms
  - ▶ Documentation of retirement, health insurance contributions
  - ▶ A payroll statement or similar documentation from the pay period that covered 2/15/2020
- ▶ Self-employed, sole proprietor, contractor (no employees)
  - ▶ Schedule C
  - ▶ 1099-Misc
  - ▶ 2020 invoice, bank statement proving in operation on 2/15/2020

# What Documentation Do you Need (cont'd)

## ▶ Partnership

- ▶ 2019 IRS Form 1065 (including K-1s)
- ▶ IRS Form 941
- ▶ State quarterly wage unemployment insurance tax reporting form from each quarter
- ▶ Retirement or health insurance contributions
- ▶ If have employees, a payroll statement or similar documentation from the pay period that covered February 15, 2020
- ▶ If no employees, invoice, bank statement, or book of record establishing the partnership was in operation on February 15, 2020

# What Documentation Do You Need (cont'd)

- ▶ LLC

- ▶ LLCs should follow the instructions that apply to their tax filing situation, for example, whether they file as a sole proprietor, a partnership, or a corporation.

- ▶ How to calculate your loan (also documentation)

- ▶ [https://www.sba.gov/sites/default/files/2020-12/How-to-Calculate-Loan-Amounts-508\\_6-26-20.pdf](https://www.sba.gov/sites/default/files/2020-12/How-to-Calculate-Loan-Amounts-508_6-26-20.pdf)

# EIDL Grant (Economic Injury Disaster Loan)

- ▶ Grant, up to \$1,000 per employee, max \$10K
  - ▶ Automatic \$10K?
- ▶ Must be located in a low-income community
  - ▶ Most of Morristown does not qualify.
- ▶ Must have suffered at least a 30% economic loss during an 8-week period between March 2, 2020, and December 17, 2021
- ▶ Cannot employ more than 300 people
- ▶ Must have been in operation by January 31, 2020
- ▶ Have until 12/31/21 to apply (if money lasts)

# EIDL Loan

- ▶ 3.75%
- ▶ Loan amount equal to up to 6 months of working capital
- ▶ 30-year Loan
- ▶ Working capital & normal operating expenses
  - ▶ Ex: continuation of health care benefits, rent, utilities, and fixed debt payments.
- ▶ Collateral required for loans over \$25,000
- ▶ Personal guarantee if more than \$200,000
- ▶ EIDL FAQ's
  - ▶ <https://www.sba.gov/sites/default/files/2020-11/COVID%20EIDL%20FAQ%20rev%20112320-508.pdf>

# What Should You Do Next

1. Contact your bank to find out if they are participating in this round of funding.
2. Find out what their application process is.
3. Gather the documentation to apply for the loan.
4. Calculate your average monthly payroll costs.

# Resources

- ▶ Rich Largman - [rich.largman@verizon.net](mailto:rich.largman@verizon.net), 973-539-0660
- ▶ Jennifer Wehring - [Jennifer@morristown-nj.org](mailto:Jennifer@morristown-nj.org), 973-455-1133
- ▶ Lori Vehmas-Falkin - [lvehmas@yahoo.com](mailto:lvehmas@yahoo.com), 973-723-5684
  
- ▶ SBA PPP Website
- ▶ <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program/first-draw-ppp-loans>
  
- ▶ SBA PPP Q&A
- ▶ <https://www.sba.gov/sites/default/files/2020-12/Final%20PPP%20FAQs%20%28December%20%202020%29-508.pdf>

# Resources (Banks)

## ▶ List of LOCAL Banks Participating in PPP

<u>Bank</u>	<u>Accepting New Customers</u>
▶ Lakeland Bank*	Y
▶ Provident Bank *	Y
▶ Peapack-Gladstone Bank *	Y
▶ Investor Savings Bank	Y

▶ \* Currently Accepting Applications

▶ If bank is participating, today is the day they are opening PPP process. May take banks a little longer to get up and running. Check with your bank today!

# Resources

- ▶ How to calculate your loan amount (and documentation needed)
- ▶ [https://www.sba.gov/sites/default/files/2020-12/How-to-Calculate-Loan-Amounts-508\\_6-26-20.pdf](https://www.sba.gov/sites/default/files/2020-12/How-to-Calculate-Loan-Amounts-508_6-26-20.pdf)
  
- ▶ Small Business Association (SBA) “First Draw” PPP Application Form
- ▶ <https://www.sba.gov/sites/default/files/2021-01/PPP%20Borrower%20Application%20Form%20%28revised%201.8.2021%29.pdf>
  
- ▶ Small Business Association (SBA) “Second Draw” PPP Application Form
- ▶ <https://www.sba.gov/sites/default/files/2021-01/PPP%20Second%20Draw%20Borrower%20Application%20Form%20%281.8.2021%29.pdf>

# Your Questions/Needs

- ▶ What questions do you have?
- ▶ What help do you need?
- ▶ What do you want/need more information or clarity on?