

Everything You Need to Know About Emergency PPP Loans for COVID-19 Relief

The Paycheck Protection Program (PPP) authorizes \$349 billion in forgivable loans to small businesses to pay their employees during the COVID-19 outbreak. All loan terms will be the same for everyone.

Loan amounts will be forgiven as long as:

- The loan proceeds are used to cover payroll costs, and most mortgage interest, rent, and utility costs over the 8 week period after the loan is made
- Employee and compensation levels are maintained

Payroll costs are capped at \$100,000 on an annualized basis for each employee. Because of anticipated high demand, it's likely that not more than 25% of the forgiven amount may be for non-payroll costs. Loan payments will be deferred for 6 months.

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When can I apply?

- Starting April 3, 2020, small businesses and sole proprietorships can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders.
- Starting April 10, 2020, independent contractors and self-employed individuals can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders.
- Other regulated lenders will be available to make these loans as soon as they are approved and enrolled in the program.

What is the Paycheck Protection Program (PPP)?

The Paycheck Protection Program provides forgivable emergency loans. The program is designed for "Paycheck Protection" so businesses keep and rehire employees. As a result, if you spend your loan on payroll, rent, mortgage interest, or utilities then the government will forgive your loan so you don't have to pay it back.

Must I keep employees on my payroll or rehire them quickly?

Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease.

Are all small businesses eligible?

Small businesses with 500 or fewer employees—including nonprofits, veterans organizations, tribal concerns, self-employed individuals, sole proprietorships, and independent contractors—are eligible. Businesses with more than 500 employees are eligible in certain industries.

You are eligible for a PPP loan if you have 500 or fewer employees whose principal place of residence is in the United States, or are a business that operates in a certain industry and meet the applicable SBA employee-based size standards for that industry, and:

- You are:

- A small business concern as defined in section 3 of the Small Business Act (15 USC 632), and subject to SBA's affiliation rules under 13 CFR 121.301(f) unless specifically waived in the Act;
- A tax-exempt nonprofit organization described in section 501(c)(3) of the Internal Revenue Code (IRC), a tax-exempt veterans organization described in section 501(c)(19) of the IRC, Tribal business concern described in section 31(b)(2)(C) of the Small Business Act, or any other business; and
- You were in operation on February 15, 2020 and either had employees for whom you paid salaries and payroll taxes or paid independent contractors, as reported on a Form 1099-MISC.

You are also eligible for a PPP loan if you are an individual who operates under a sole proprietorship or as an independent contractor or eligible self employed individual, you were in operation on February 15, 2020.

You must also submit such documentation as is necessary to establish eligibility such as payroll processor records, payroll tax filings, or Form 1099-MISC, or income and expenses from a sole proprietorship. For borrowers that do not have any such documentation, the borrower must provide other supporting documentation, such as bank records, sufficient to demonstrate the qualifying payroll amount.

SBA intends to promptly issue additional guidance with regard to the applicability of affiliation rules at 13 CFR §§ 121.103 and 121.301 to PPP loans.

Could I be ineligible for a PPP loan even if I meet the requirements?

You are ineligible for a PPP loan if, for example:

- You are engaged in any activity that is illegal under federal, state, or local law;
- You are a household employer (individuals who employ household employees such as nannies or housekeepers);
- An owner of 20 percent or more of the equity of the applicant is incarcerated, on probation, on parole; presently subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction; or has been convicted of a felony within the last five years; or
- You, or any business owned or controlled by you or any of your owners, has ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is currently delinquent or has defaulted within the last seven years and caused a loss to the government.

The Administrator, in consultation with the Secretary of the Treasury (the Secretary), determined that household employers are ineligible because they are not businesses. 13 CFR 120.100.

How do I know if my business is NOT eligible for a PPP loan?

Businesses that are not eligible for PPP loans are identified in 13 CFR 120.110 and described further in SBA's Standard Operating Procedure (SOP) 50 10, Subpart B, Chapter 2, except that nonprofit organizations authorized under the Act are eligible.

SOP 50 10 can be found at <https://www.sba.gov/document/sop50-10-5-lender-development-company-loan-programs>.

How much can I get if I'm eligible for a forgivable PPP loan?

Under the PPP, the maximum loan amount is the lesser of \$10 million or an amount that you will calculate using a payroll-based formula specified in the Act, as explained below.

How do I calculate the maximum amount I can borrow in a PPP loan?

The following methodology, which is one of the methodologies contained in the Act, will be most useful for many applicants.

- Step 1: Aggregate payroll costs (defined in detail below in f.) from the last twelve months for employees whose principal place of residence is the United States.
- Step 2: Subtract any compensation paid to an employee in excess of an annual salary of \$100,000 and/or any amounts paid to an independent contractor or sole proprietor in excess of \$100,000 per year.
- Step 3: Calculate average monthly payroll costs (divide the amount from Step 2 by 12).
- Step 4: Multiply the average monthly payroll costs from Step 3 by 2.5.
- Step 5: Add the outstanding amount of an Economic Injury Disaster Loan (EIDL) made between January 31, 2020 and April 3, 2020, less the amount of any "advance" under an EIDL COVID-19 loan (because it does not have to be repaid).

The examples below illustrate this methodology.

- Example 1 – No employees make more than \$100,000
 - Annual payroll: \$120,000
 - Average monthly payroll: \$10,000
 - Multiply by 2.5 = \$25,000
 - Maximum loan amount is \$25,000
- Example 2 – Some employees make more than \$100,000
 - Annual payroll: \$1,500,000
 - Subtract compensation amounts in excess of an annual salary of \$100,000: \$1,200,000
 - Average monthly qualifying payroll: \$100,000
 - Multiply by 2.5 = \$250,000
 - Maximum loan amount is \$250,000
- Example 3 – No employees make more than \$100,000, outstanding EIDL loan of \$10,000.
 - Annual payroll: \$120,000

- Average monthly payroll: \$10,000
 - Multiply by 2.5 = \$25,000
 - Add EIDL loan of \$10,000 = \$35,000
 - Maximum loan amount is \$35,000
- Example 4 – Some employees make more than \$100,000, outstanding EIDL loan of \$10,000
 - Annual payroll: \$1,500,000
 - Subtract compensation amounts in excess of an annual salary of \$100,000: \$1,200,000
 - Average monthly qualifying payroll: \$100,000
 - Multiply by 2.5 = \$250,000
 - Add EIDL loan of \$10,000 = \$260,000
 - Maximum loan amount is \$260,000

What qualifies as “payroll costs?”

Payroll costs consist of compensation to employees (whose principal place of residence is the United States) in the form of salary, wages, commissions, or similar compensation; cash tips or the equivalent (based on employer records of past tips or, in the absence of such records, a reasonable, good-faith employer estimate of such tips); payment for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement; payment of state and local taxes assessed on compensation of employees; and for an independent contractor or sole proprietor, wage, commissions, income, or net earnings from self-employment or similar compensation.

Is there anything that is expressly excluded from the definition of “payroll costs?”

Yes. The Act expressly excludes the following:

- Any compensation of an employee whose principal place of residence is outside of the United States;
- The compensation of an individual employee in excess of an annual salary of \$100,000, prorated as necessary;
- Federal employment taxes imposed or withheld between February 15, 2020 and June 30, 2020, including the employee’s and employer’s share of FICA (Federal Insurance Contributions Act) and Railroad Retirement Act taxes, and income taxes required to be withheld from employees;
- Qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act (Public Law 116–127).

Do independent contractors count as employees for purposes of calculating PPP loan amounts?

No, independent contractors have the ability to apply for a PPP loan on their own so they do not count for purposes of a borrower’s PPP loan calculation.

What do I need to apply?

You will need to complete the Paycheck Protection Program loan application and submit the application with the required documentation to an approved lender that is available to process your application by June 30, 2020. Find Application [HERE](#).

What other documents will I need to include in my application?

You will need to provide your lender with payroll, tax, and business documentation. We've compiled a list of required documents your lender will likely ask for [HERE](#).

Do I need to first look for other funds before applying to this program?

No. They are waiving the usual SBA requirement that you try to obtain some or all of the loan funds from other sources (i.e., they are waiving the Credit Elsewhere requirement).

How long will this program last?

Although the program is open until June 30, 2020, we encourage you to apply as quickly as you can because there is a funding cap and lenders need time to process your loan. Analysts estimate there will be more than \$1 trillion in demand and this program only has \$350 billion in appropriation.

How many loans can I take out under this program?

Only one.

What can I use these loans for?

You should use the proceeds from these loans on your:

- Payroll costs, including benefits;
- Interest on mortgage obligations, incurred before February 15, 2020;
- Rent, under lease agreements in force before February 15, 2020; and
- Utilities, for which service began before February 15, 2020.

Does the PPP cover paid sick leave?

Yes, the PPP covers payroll costs, which include employee benefits such as costs for parental, family, medical, or sick leave. However, it is worth noting that the CARES Act expressly excludes qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act (FFCRA) (Public Law 116–127). Learn more about the FFCRA's Paid Sick Leave Refundable Credit online.

Will my PPP loan be fully forgiven?

Funds are provided in the form of loans that will be fully forgiven when used for payroll costs, interest on mortgages, rent, and utilities (due to likely high subscription, at least 75% of the forgiven amount must have been used for payroll). Loan payments will also be deferred for six months. No collateral or personal guarantees are required. Neither the government nor lenders will charge small businesses any fees.

How much of my loan will be forgiven?

You will owe money when your loan is due if you use the loan amount for anything other than payroll costs, mortgage interest, rent, and utilities payments over the 8 weeks after getting the loan. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs. You will also owe money if you do not maintain your staff and payroll.

- **Number of Staff:** Your loan forgiveness will be reduced if you decrease your full-time employee headcount.
- **Level of Payroll:** Your loan forgiveness will also be reduced if you decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019.
- **Re-Hiring:** You have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.

How can I request loan forgiveness?

You can submit a request to the lender that is servicing the loan. The request will include documents that verify the number of full-time equivalent employees and pay rates, as well as the payments on eligible mortgage, lease, and utility obligations. 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. The lender must make a decision on the forgiveness within 60 days.

What is my interest rate?

1.00% fixed rate.

When do I need to start paying interest on my loan?

All payments are deferred for 6 months; however, interest will continue to accrue over this period.

When is my loan due?

In 2 years.

Can I pay my loan earlier than 2 years?

Yes. There are no prepayment penalties or fees.

Do I need to pledge any collateral for these loans?

No. No collateral is required.

Do I need to personally guarantee this loan?

No. There is no personal guarantee requirement. ***However, if the proceeds are used for fraudulent purposes, the U.S. government will pursue criminal charges against you.***

What do I need to certify?

As part of your application, you need to certify in good faith that:

- Current economic uncertainty makes the loan necessary to support your ongoing operations.
- The funds will be used to retain workers and maintain payroll or to make mortgage, lease, and utility payments.
- You have not and will not receive another loan under this program.
- You will provide to the lender documentation that verifies the number of full-time equivalent employees on payroll and the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight weeks after getting this loan.
- Loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.
- All the information you provided in your application and in all supporting documents and forms is true and accurate. Knowingly making a false statement to get a loan under this program is punishable by law.
- You acknowledge that the lender will calculate the eligible loan amount using the tax documents you submitted. You affirm that the tax documents are identical to those you submitted to the IRS. And you also understand, acknowledge, and agree that the lender can share the tax information with the SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program Requirements and all SBA reviews.

What if I need cash now, or I don't qualify for an SBA loan?

Lots of private companies and lenders are trying to help struggling small businesses right now. If you do not qualify for any SBA loan, please consider working with a company that offers free software, no-fee, no-interest emergency capital, with flexible repayment terms, to any American business with a verifiable bank account.

The SBA site still refers to EIDL as a loan. Is it truly a grant?

The EIDL program was a pre-existing government program. The Economic Injury Disaster Loans program still exists for declared disaster areas. The CARES Act expanded this existing program to provide any business in America access to a \$10k grant under this program. The \$10,000 is a grant and you don't have to pay it back. But you may also have an option to get a *loan* under EIDL that would be in excess of \$10,000. If you do, that would be subject to those loan terms.

How do I calculate my Average Monthly Payroll?

For purposes of calculating "Average Monthly Payroll", most Applicants will use the average monthly payroll for 2019, excluding costs over \$100,000 on an annualized basis for each employee.

For seasonal businesses, the Applicant may elect to instead use average monthly payroll for the time period between February 15, 2019 and June 30, 2019, excluding costs over \$100,000 on an annualized basis for each employee.

For new businesses, average monthly payroll may be calculated using the time period from January 1, 2020 to February 29, 2020, excluding costs over \$100,000 on an annualized basis for each employee.

How do I check the status of my application for EIDL?

Unfortunately there is no status checker on the [sba.gov](https://www.sba.gov) website. The government has received ~3m applications from businesses this week. The appropriation from the Congress only granted \$10 billion to this program, so it is almost certainly already out of money. The SBA is now advising customers over the phone to call back 10-14 days after the date of their application. You can call the SBA Disaster Customer Service Center's number at (800) 659-2955.

What's the covered period?

The covered period is the eight-week period that starts on the date your loan is approved. The covered period is important because your loan forgiveness is determined based on your spending during this eight week period.

I have multiple Tax IDs, how many applications should I file?

You should submit a unique application for each eligible EIN, regardless of how many locations you have.

I have multiple business locations under one tax ID, how many applications should I file?

You should submit a unique application for each eligible EIN, regardless of how many locations you have.

Visit [Stimulus2020.com](https://www.stimulus2020.com) for more information, and for links to other resources and emergency capital offers.

Couldn't find an answer to your questions? Check [here](#) for detailed rules from the government.