PAYROLL PROTECTION PLAN LOAN GUIDE

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Paycheck Protection Program at a glance

Use this link to download the Borrower Application from the Small Business Administration: https://www.sba.gov/sites/default/files/2020-04/PPP%20Borrower%20Application%20Form.pdf

1% fixed interest rate

Fixed interest rate for the entire life of the loan

Up to 2.5x monthly payroll

Get up to 2.5x or 250% of your average monthly payroll expenses (or average monthly income for non-employers)

24-month term loan

2-year max term of repayment

6-month payment deferment

All loan payments are deferred for 6 months, but interest will accrue during this time

100% forgiveness

Full forgiveness if:

• Entire loan is used toward qualifying costs
• At least 75% of the loan is used for qualifying payroll costs
• And you either don’t lay off employees, or if you rehire employees by June 30, 2020

Qualifying businesses

Sole proprietors, independent contractors, self-employed persons, and small businesses with fewer than 500 employees in operation since February 15, 2020
Here’s a brief overview of the program:

What is the Paycheck Protection Program?
The program is designed to offer loans for small businesses to use on costs such as payroll, employee benefits, rent or mortgage interest, utilities, and more. If certain conditions are met, these loans can be 100% forgiven.

Who qualifies for PPP loans?
Sole proprietors, independent contractors, self-employed individuals, and most small businesses with fewer than 500 employees. Some exceptions apply—see our application guide for details.

What will I need to apply?
You’ll need the 2019 income and tax documents for your business. Businesses without employees will need to provide their 2019 revenue and expenses. Most employers will need 2019 and 2020 payroll reports, with gross earnings for all of their employees.
How can I start preparing to apply?

**Average monthly payroll cost**

You will need to calculate your average monthly payroll cost. It is critical to make sure this number matches the supporting documentation you provide.

- Most applicants will use the average monthly payroll for 2019, excluding costs over $100,000 on an annualized basis for each employee.

- For highly 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.

- For sole proprietorships without employees, business income under $100,000 on an annualized basis can be counted as payroll costs.

- If you have applied for or received EIDL funding between January 31, 2020 and April 3, 2020, you will need to provide your outstanding loan amount by taking the total balance and subtracting the forgivable “advance” portion.
Documentation for: Non-employers

(e.g. sole proprietorships, independent contractors, and self-employed individuals)

1. Reference the indicated item or line to determine your 2019 annual “payroll costs.”
   Note that you can only claim up to $100,000 annually.
   - Sole proprietors: Form 1040, Schedule C
   - Independent contractors: 1099-MISC
   - Self-employed: Form 1040, Schedule SE
   - If you don't have a 2019 tax form, you can upload a profit and loss statement for your business, showing revenues and expenses.

2. Verification that you were operational on February 15, 2020:
   - Square account created on or before February 15, 2020; or
   - For applicants whose Square account was created after February 15, 2020, we can accept the following: lease, utility bill, bank account statement, or payment processor statement for February 2020 with business name

3. Verification of your personal information
   - Social Security Card
   - Individual Taxpayer Identification number (ITIN)
   - Government issued I.D.

4. Verification of your business information:
   - Your business’s government issued SS-4 (EIN confirmation letter); or
   - Your most recent business tax returns confirming your business name and TIN; or
   - If you are a sole proprietor, your business name is the same as your first and last name and your TIN will be your Social Security number. Some sole proprietors may also register DBA (doing-business-as) names. If you have a DBA, you’ll be asked to provide it in the application. Find out your business entity type by taking a look at your tax returns.
Documentation for: New employers

1. **Payroll statements**
   - from January 1, 2020 through February 29, 2020

2. **Verification that you were operational on February 15, 2020:**
   - Square account created on or before February 15, 2020; or
   - For applicants whose Square account was created after February 15, 2020, we can accept the following: lease, utility bill, bank account statement, or payment processor statement for February 2020 with business name

3. **Verification of your personal information**
   - Social Security Card
   - Individual Taxpayer Identification number (ITIN)
   - Government issued I.D.

4. **Verification of your business information**
   - Your business’s government issued SS-4 (EIN confirmation letter); or
   - Your most recent business tax returns confirming your business name and TIN; or
   - If you are a sole proprietor, your business name is the same as your first and last name and your TIN will be your Social Security number. Some sole proprietors may also register DBA (doing-business-as) names. If you have a DBA, you’ll be asked to provide it in the application. Find out your business entity type by taking a look at your tax returns.
Documentation for: Seasonal employers

1. **Payroll statements**
   - from February 15, 2019 through June 30, 2019

2. **Verification that you were operational on February 15, 2020:**
   - Square account created on or before February 15, 2020; or
   - For applicants whose Square account was created after February 15, 2020, we can accept the following: lease, utility bill, bank account statement, or payment processor statement for February 2020 with business name

3. **Verification of your personal information**
   - Social Security Card
   - Individual Taxpayer Identification number (ITIN)
   - Government issued I.D.

4. **Verification of your business information**
   - Your business’s government issued SS-4 (EIN confirmation letter); or
   - Your most recent business tax returns confirming your business name and TIN; or
   - If you are a sole proprietor, your business name is the same as your first and last name and your TIN will be your Social Security number. Some sole proprietors may also register DBA (doing-business-as) names. If you have a DBA, you’ll be asked to provide it in the application. Find out your business entity type by taking a look at your tax returns.
Documentation for: Most employers

- **If you have employees with salaries greater than $100,000:**
  2019 payroll statement with gross earnings of all employees.

- **If you don’t have employees with salaries greater than $100,000:**
  - Tax Form 944;
  - Tax Form 941;
  - or 2019 payroll statement with gross earnings of all employees

2. **Verification that you were operational on February 15, 2020:**
   - Square account created on or before February 15, 2020; or
   - For applicants whose Square account was created after February 15, 2020, we can accept the following: lease, utility bill, bank account statement, or payment processor statement for February 2020 with business name

3. **Verification of your personal information**
   - Social Security Card
   - Individual Taxpayer Identification number (ITIN)
   - Government issued I.D.

4. **Verification of your business information**
   - Your business’s government issued SS-4 (EIN confirmation letter); or
   - Your most recent business tax returns confirming your business name and TIN; or
   - If you are a sole proprietor, your business name is the same as your first and last name and your TIN will be your Social Security number. Some sole proprietors may also register DBA (doing-business-as) names. If you have a DBA, you’ll be asked to provide it in the application. Find out your business entity type by taking a look at your tax returns.
Paycheck Protection Program FAQ

What is the Paycheck Protection Program?

The Paycheck Protection Program (PPP) is administered by the federal Small Business Administration (SBA) and provides relief funding to small businesses as well as individuals who are self-employed or are independent contractors if they also meet program size standards.

A PPP loan is designed to provide a direct incentive for small businesses to keep their workers on the payroll. The SBA will forgive loans if all employees are kept on the payroll for 8 weeks and the money is used for payroll, rent, mortgage interest, or utilities.

Who is eligible to apply for a PPP loan?

You're eligible to apply for PPP funding if:

1. You’re a small business with fewer than 500 employees (including sole proprietorships, independent contractors and self-employed persons), private non-profit organization, or 501(c)(19) veterans organizations affected by coronavirus/COVID-19; and
2. You were in operation on or before Feb 15, 2020

Businesses in certain industries may qualify even if they have more than 500 employees if they meet the SBA’s size standards for those industries. Small businesses in the hospitality and food industry with more than one location could also be eligible if their individual locations employ less than 500 workers.

Businesses that aren’t eligible for PPP loans are determined by the SBA and are identified in 13 CFR 120.110, and described further in SBA’s Standard Operating Procedure (SOP) 50 10, Subpart B, Chapter 2. Exceptions include non profit organizations authorized by the CARES Act.
Can I apply for a PPP loan if I am a sole proprietorship, independent contractor, or self-employed?

Yes. PPP is available to sole proprietorships, independent contractors and self-employed individuals, as well as gig workers. For these individuals, annual business income up to $100,000 can be counted as payroll costs.

Can I apply for a PPP loan with more than one lender?

You can apply with more than one lender for a PPP loan, but you can only be approved for one PPP loan during the PPP program. All PPP lenders will work with the SBA to ensure this, which means if you have been approved for a PPP loan through one lender, all other PPP applications with other lenders will be declined.

Can I have more than one PPP loan?

No. You can only be approved for one PPP loan. The SBA has established the limit of one PPP loan per business entity to help ensure equitable distribution of PPP funds.

What will my business need to apply?

Your business will need the following to apply, as required by the SBA:

1. Calculate your Average Monthly Payroll

   No matter where you apply, you will need to calculate and provide your average monthly payroll to the lender. It is critical you are sure this number matches the supporting documentation you can provide (see below). A mismatch between the average monthly payroll you enter and your supporting documentation will add significant processing time to your application.

   1. Most applicants will use the average monthly payroll for 2019, excluding costs over $100,000 on an annualized basis for each employee.
2. For highly 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.

3. 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.

4. For sole proprietorships without employees, business income up to $100,000 on an annualized basis can be counted as payroll costs.

2. Economic Injury Disaster Loan (EIDL)

If you have applied for or received EIDL funding between January 31, 2020 and April 3, 2020, you will need to provide your outstanding loan amount by taking the total balance and subtracting the forgivable “advance” portion.

3. Supporting Documentation

You will need to provide documentation as part of the application so we can verify your eligibility, loan amount, and business information. If we cannot verify information in your application with supported documentation, your loan will not be approved. (If you need to provide payroll statements, please follow these directions about how to download them).

**Verification documents required:**

**Most employers:**
If you have employees with salaries greater than $100,000:

- 2019 payroll statement with gross earnings of all employees.
- If you don't have employees with salaries greater than $100,000:
  - 2019 Tax Form 940; or
  - 2019 Tax Form 944; or
  - 2019 Tax Form W3; or
  - Tax Form 941 for every quarter in 2019; or
  - 2019 payroll statement with gross earnings of all employees

**Seasonal employers:**
- Payroll statements from February 15, 2019 through June 30, 2019

**New employers:**
- Payroll statements from January 1, 2020 through February 29, 2020

**Non-employers (e.g. sole proprietorships, independent contractors, and self-employed individuals)**
Reference the indicated item or line to determine your 2019 annual “payroll costs”. Note that you can only claim up to $100,000 annually.

- Sole proprietors: Form 1040, Schedule C
- Independent contractors: 1099-MISC
- Self-employed: Form 1040, Schedule SE
If you don't have a 2019 tax form, you can upload a profit and loss statement for your business, showing revenues and expenses.
Additional documents required for all applicants:

- Verification that you were operational on Feb 15, 2020
- For applicants whose Square account was created after February 15, 2020, we can accept the following: lease, utility bill, bank account statement, or payment processor statement for February 2020 with business name
- Verification of your personal and business information
  
  **Personal information**
  - Social Security Card
  - Individual Taxpayer Identification number (ITIN)
  - Government issued I.D.
  
  **Business information**
  - Your business's government issued SS-4 (EIN confirmation letter); or
  - Your most recent business tax returns confirming your business name and TIN; or
  - If you are a sole proprietor, your business name is the same as your first and last name and your TIN will be your Social Security number. Some sole proprietors may also register DBA (doing-business-as) names. If you have a DBA, you'll be asked to provide it in the application. Find out your business entity type by taking a look at your tax returns.

How is my PPP loan amount calculated?

The SBA has issued specific instructions for how all PPP lenders must calculate the loan amount. The PPP loan amount = Average Monthly Payroll (excluding payroll costs over $100,000) x 2.5 + EIDL loan (net of advance). The more accurate your average monthly payroll (i.e. the closer it matches your supporting documentation), the higher chance your application has of getting approved, and faster. Here are some examples:

1. **No employees make more than $100,000**
   a. Annual payroll: $120,000
   b. Average monthly payroll (divide a. by 12): $10,000
   c. Multiply b. by 2.5 = $25,000
   d. Maximum loan amount = $25,000

2. **Some employees make more than $100,000**
   a. Annual payroll: $1,500,000
   b. Compensation amounts in excess of an annual salary of $100,000: $300,000
   c. Subtract b. from a: $1,200,000
   d. Average monthly qualifying payroll (divide c. by 12): $100,000
   e. Multiply d. by 2.5 = $250,000
   f. Maximum loan amount = $250,000

3. **No employees make more than $100,000, outstanding EIDL loan of $10,000**
   a. Annual payroll: $120,000
   b. Average monthly payroll (divide a. by 12): $10,000
   c. Multiply b. by 2.5 = $25,000
   d. Add EIDL loan of $10,000 = $35,000
   e. Maximum loan amount = $35,000
4. Some employees make more than $100,000, outstanding EIDL loan of $10,000
   a. Annual payroll: $1,500,000
   b. Compensation amounts in excess of an annual salary of $100,000: $300,000
   c. Subtract b. from a: $1,200,000
   d. Average monthly qualifying payroll (divide c. by 12): $100,000
   e. Multiply d. by 2.5 = $250,000
   f. Add EIDL loan of $10,000 = $260,000
   g. Maximum loan amount = $260,000

5. Non Employers (e.g. sole proprietorships, independent contractors, and self-employed individuals) who make less than $100,000. (Annualized income up to $100,000 may be counted as “payroll costs”.)
   a. Annual income: $60,000
   b. Average monthly “payroll costs” (divide a. by 12): $5,000
   c. Multiply b. by 2.5 = $12,500
   d. Maximum loan amount = $12,500

6. Non Employers (e.g. sole proprietorships, independent contractors, and self-employed individuals) who make more than $100,000. (Annualized income up to $100,000 may be counted as “payroll costs”.)
   a. Annual income: $120,000
   b. Annual income in excess of $100,000: $20,000
   c. Subtract b. from a: $100,000
   d. Average monthly “payroll costs” (divide c. by 12): $8,333.33
   e. Multiply d. by 2.5 = $20,833.33
   f. Maximum loan amount = $20,833.33

Is a personal guarantee required for this loan?

No, there is no personal guarantee requirement for a PPP loan.

What qualifies as payroll costs?

Payroll costs, as defined by the SBA, consist of:

1. Compensation to employees (whose principal place of residence is the United States) in the form of salary, wages, commissions, or similar compensation
2. 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)
3. Payment for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal
4. Payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement
5. Payment of state and local taxes assessed on compensation of employees
   For an independent contractor or sole proprietor, wage, commissions, income, or net earnings from self-employment or similar compensation.

**What does not qualify as payroll costs?**

The SBA has determined the following do not qualify as payroll costs. You should therefore not count them towards your average monthly payroll, nor should you use PPP funds to cover these expenses.

1. Any compensation of an employee whose principal place of residence is outside of the United States
2. The compensation of an individual employee in excess of an annual salary of $100,000, prorated as necessary
3. The compensation of an individual who received a 1099, as opposed to a W-2
4. 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
5. 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)

**How can my business use PPP funds?**

The purpose of the PPP is to help you retain your employees, at their current base pay, and cover other essential business costs. You must use at least 75% of PPP funds to cover qualifying payroll costs and the remainder may be used for qualifying non-payroll costs over the eight-week period following the date of the loan. If you do not use PPP for these purposes, your PPP loan will not be forgiven and you will be required to pay back the loan.

**What qualifies as non-payroll costs I can use PPP funds to cover?**

While you must use at least 75% of PPP funds to cover qualifying payroll costs, the remainder also be used to cover the following non-payroll costs:

1. Costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums
2. Mortgage interest payments (but not mortgage prepayments or principal payments)
3. Rent payments
4. Utility payments
5. Interest payments on any other debt obligations that were incurred before February 15, 2020
Can my PPP loan be forgiven in whole or in part?

Yes. PPP loans (the full principal amount and any accrued interest) may be forgiven, meaning they do not have to be repaid. If you do not apply for forgiveness, you will have to repay the loan.

In general, PPP loan forgiveness may be provided as follows. For more detail on PPP loan forgiveness, please consult the SBA website.

Full forgiveness if:

1. Entire loan is used towards qualifying costs (see qualifying payroll costs and qualifying non-payroll costs) within 8 weeks following the date of the loan.
2. At least 75% of the loan is used for qualifying payroll costs.
3. And you either don’t lay off employees, or if you rehire employees by June 30, 2020.

Partial forgiveness if:

1. You lay off employees, the forgiveness amount will be reduced by the percent decrease in the number of employees.
2. Your total payroll expenses for employees making less than $100,000 annually decreases by more than 25% for each employee, the loan forgiveness amount will be reduced by the same amount.

Does my business have to do anything for the PPP loan to be forgiven?

Yes. You will have to provide documentation verifying the loan was used for acceptable purposes. At least 75% of your PPP loan must be used for payroll costs and the remainder must only be used for qualifying non-payroll costs. You will be required to submit this documentation no earlier than 7 weeks after receiving PPP funds.

If you lay off employees, the forgiveness amount will be reduced by the percent decrease in the number of employees. If your total payroll expenses on workers making less than $100,000 annually decreases by more than 25%, the loan forgiveness amount will be reduced by the same amount. If you have already laid off some employees, you can still be forgiven for the full amount of your payroll cost if you rehire your employees by June 30, 2020.

If you do not use the loan for these purposes you will have to pay back the loan.
What are the interest rate and terms for the PPP loan amount that is NOT forgiven?

PPP loans that are not used for qualifying payroll costs and qualifying non-payroll costs will not be forgiven. PPP loans that are not forgiven will have a 1% fixed interest rate and 24-month term. Interest will start accruing the day the loan is originated. Repayment will be made with monthly payments, which will be automatically debited from your Square linked account and start after the 6-month deferral period and continue for 18 months.

When will the PPP loan be forgiven?

Recipients of PPP loans can apply for forgiveness at the end of the 8-week period following the date of the loan.

What is the deadline to apply for a PPP loan?

The current deadline to submit PPP applications is June 30, 2020. We will provide updates if this changes and encourage you to apply as soon as possible as funding is limited.