

## **New Paycheck Protection Program Offers Forgivable Loans To Small Businesses**

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Due to the national crisis caused by the Coronavirus pandemic, Congress passed a giant stimulus package and on March 27, 2020, President Trump signed it into law. The Coronavirus Aid, Relief, and Economic Security (“CARES”) Act is a \$2 trillion dollar aid package that will provide grants and loans to consumers, businesses, and state and local governments.

In an effort to keep businesses afloat and allow employees to continue to receive paychecks, the CARES Act provides a new Paycheck Protection Program (“PPP”). This program was enacted to help small businesses maintain payrolls and cover mortgage, rent and utility costs during this emergency. Below are FAQs regarding the PPP.

### **What is the Paycheck Protection Program?**

The Paycheck Protection Program allows small businesses to obtain forgivable loans from the U.S. Small Business Administration (“SBA”) to provide cash-flow to maintain their payroll for an 8-week period between February 15, 2020 and June 30, 2020.

### **Who is eligible?**

Small businesses are eligible. Small businesses are generally considered businesses with fewer than 500<sup>1</sup> employees and include sole proprietors, independent contractors and gig economy workers. The SBA Administrator may permit a business with over 500 employees in certain industries to apply for the loan. Click here for the SBA’s table of size standards: <https://www.sba.gov/document/support--table-size-standards>

### **How much is the loan?**

Businesses are eligible to borrow up to 2.5 times their average total monthly payroll costs, up to \$10 million. Payroll costs are defined as the sum of payments for compensation, including salary, wage, cash tips, paid time off, severance, healthcare benefits, and state and local taxes.

### **What does the loan cover?**

The loan covers two things: (1) payroll costs including employee salaries (including cash tips) up to an annual rate of pay of \$100,000, sick and medical leave, and insurance premiums; and (2) operation costs such as mortgage, rent, and utility payments.

The loan does not cover the payroll costs associated with the [Families First Coronavirus Response Act](#) as employers will receive a refundable tax credit for that paid leave.

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<sup>1</sup> Businesses with more than one physical location qualify so long as total combined employees are below 500 employees (unless the businesses operated under NAICS code beginning with 72).

**What are the conditions of the loan forgiveness?**

Loans spent on the payroll and operation costs described above may be forgiven completely if the employer maintains its payroll during the covered period (February 15, 2020 – June 30, 2020), retains its employees, and maintains its wages relative to the previous year. The forgiveness amount is reduced if the borrower has certain reductions in employees or salaries.

**What if I do not meet the conditions of loan forgiveness?**

The portions of the loan that are not forgiven will be paid back at an interest of no more than 4% and can be paid over a period as long as ten years.

**What is the covered period of the loan?**

The covered period during which expenses can be forgiven extends from February 15, 2020 to June 30, 2020. Borrowers can choose which 8 weeks within that time period they want to count towards the covered period.

**What if I already took out an Economic Injury Disaster Loan (EIDL) related to the Coronavirus?**

Businesses who already received an EIDL loan related to the Coronavirus may refinance that loan into the PPP for loan forgiveness. Portions of the EIDL used for business purposes other than those costs permitted under the PPP will remain an EIDL loan.

**How do businesses apply?**

Eligible businesses may apply for the loan from any SBA-certified lender including banks, credit unions, and other financial institutions. If you already have a relationship with a bank, reach out to them first.

You may also utilize the SBA's lender match program here: <https://www.sba.gov/funding-programs/loans/lender-match>

**What do I need to apply?**

You will submit an application to your lender that includes:

1. Documentation verifying the number of full-time employees you have on your payroll and their rates of pay; payroll tax filings you reported to the IRS; and state income, payroll, and unemployment insurance filings
2. Documents verifying payments on mortgage or rent obligations and utility payments
3. A certification from an authorized representative that the documents are true and correct and the loan forgiveness request reflects retaining employees and making the necessary operational payments.



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If you have any questions concerning the PPP or any other employment issue affected by the Coronavirus, do not hesitate to give us a call.

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