



## **SMALL BUSINESS ADMINISTRATION RULES FOR PAYCHECK PROTECTION PROGRAM**

*Last updated: April 3, 2020, at 2:00 pm EST*

Yesterday, the Small Business Administration (SBA) issued the rules that both borrowers and lenders participating in the CARES Act's Paycheck Protection Program (PPP) must follow. Please note that the information below adds to the summary we have already provided regarding the [CARES Act and PPP](#).

### ***Payroll Costs and Documents***

Your PPP loan will be based on your business's average monthly payroll costs. Borrowers must submit documents such as payroll processor records and payroll tax filings. If you do not have these documents, you must provide other documents such as bank records that demonstrate your payroll costs. Cash tips or their equivalent (which makes up part of payroll costs) must be based on your records of past tips, or if you do not have those records, then you must provide a reasonable, good-faith estimate.

The following is excluded from payroll costs:

- Any compensation of an employee whose who resides outside the US;
- Any amount of an employee's annual salary that exceeds \$100,000;
- Federal employment taxes imposed or withheld between 02/15/20 – 06/30/20 (including the employee's and employer's share of FICA and Railroad Retirement Act taxes and income taxes required to be withheld from employees);

**This document is not intended to be legal advice but provides a broad overview of certain provisions of the CARES Act. Contact your legal counsel for the most up-to-date advice and how it applies to your particular situation. If you would like to schedule a COVID-19 Strategy Session to see how the CARES Act impacts your business or need assistance with applying for the various grant and loan opportunities, please contact our office at (305) 858-6208 or visit our website <https://www.simplylegal.co/contact-us/>.**



- Any credits provided under the Families First Coronavirus Response Act for qualified sick and family leave wages; and
- Compensation paid to independent contractors (independent contractors can apply for their own PPP loan).

### ***Loan Forgiveness and Terms***

The actual amount of loan forgiveness will partially depend on the loan proceeds you spend on the following items during the 8-week period after loan disbursement:

- Payroll costs;
- Mortgage interest or rent payments; and
- Utility payments.

Please remember that for the costs above to be covered under the PPP, you must have entered into the contracts regarding these items before 02/15/20.

**Seventy-five percent of the loan forgiveness amount must be attributable to payroll and businesses must document the loan proceeds used for payroll costs. Only 25% of the loan amount forgiven can be spent on utility, rent, and mortgage interest payments.**

For all loan amounts not forgiven, the following terms apply:

- Maturity date: 2 years;
- Interest rate: 1%; and

This document is not intended to be legal advice but provides a broad overview of certain provisions of the CARES Act. Contact your legal counsel for the most up-to-date advice and how it applies to your particular situation. If you would like to schedule a COVID-19 Strategy Session to see how the CARES Act impacts your business or need assistance with applying for the various grant and loan opportunities, please contact our office at (305) 858-6208 or visit our website <https://www.simplylegal.co/contact-us/>.



- No payments for 6 months (but interest will continue to accrue on PPP loans during the six-month deferral period).

### **Sole proprietors, independent contractors, and self-employed individuals**

Sole proprietors, independent contractors, and self-employed individuals may apply for PPP loans beginning on 04/10/20. They may use wages, commissions, income or net earnings from self-employment or similar compensation to determine their payroll costs.

### **Other Terms and Conditions**

- The following are ineligible for PPP loans:
  - Household employers (individuals who employ nannies or housekeepers); and
  - Businesses that are currently delinquent or have defaulted within the last 7 years on any direct or guaranteed loans from the SBA or any other federal agency. This includes any business owned or controlled by you or any of your business's owners.
- To apply, you must certify that, to the extent possible, your business will purchase only American-made equipment and products.
- You may use e-signature or e-consents for the loan application.