

## **Coronavirus Aid Relief and Economic Security Act (CARES Act) Paycheck Protection Program Information:**

In addition to the expansion of the Economic Injury Disaster Loan (EIDL) Program enacted in earlier Coronavirus relief legislation the federal government has, through the passage of the CARES Act, expanded the Small Business Administration (SBA)'s 7(a) Loan Program and created the Paycheck Protection Program (PPP). Between February 15, 2020 and June 30, 2020, the new law allows the SBA to provide a total of \$350 billion in loans to eligible small businesses. A direct comparison of the two programs can be seen below this overview.

Eligible small businesses include most businesses, not-for-profits, veteran's organizations, and tribal organizations with 500 or fewer employees. The purpose of these loans is to help pay operational costs such as payroll, rent, health benefits, insurance premiums, utilities, etc. Loan amounts can be forgivable, subject to certain conditions, and the forgiven amounts, for federal tax purposes, are excludable from gross income. The following is an overview of the new Paycheck Protection Program.

Loans made under the Paycheck Protection Program will have a maximum interest rate of 4% and a maximum loan amount of the lesser of \$10 million or 2.5 times the average total monthly payroll costs for the one-year period before the loan is made, or for seasonal employers, the average monthly payroll costs for the 12 weeks beginning either on February 15, 2019, or from March 1, 2019 to June 30, 2019.

These loans will require no collateral or personal guarantee and the lender will have no recourse against any individual, shareholder, member, or partner of an eligible loan recipient for non-payment as long as the business uses the loan proceeds only for authorized purposes.

As part of the application process a good-faith certification must be made stating that the loan is needed to continue operations during the COVID-19 emergency; proceeds will be used to retain workers and maintain payroll or make mortgage, lease, and utility payments; the applicant does not have any other application pending under this program for the same purpose; and from February 15, 2020 until December 31, 2020, the applicant has not received duplicative amounts under this program.

The loan proceeds can be used to pay:

- payroll costs such as salary, wages, commissions, etc.; paid leave; severance payments; payments for group health benefits; retirement benefits; state and local payroll taxes; and compensation to sole proprietors or independent contractors up to \$100,000 in 1 year, prorated for the covered period.
- Group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums.
- Payments of interest on mortgage obligations.
- Rent or lease payments.
- Utilities
- Interest on other obligations incurred before February 15, 2020

Payments made in the eight-week period after the loan origination date for covered payroll costs, interest payments on mortgages, rent, and utilities will be forgiven. However, forgiveness amounts will be reduced for any employee cuts. The formula for forgiveness reduction based on employee cuts is:

- The maximum available forgiveness under the rules described above multiplied by:
- Average number of full-time equivalent employees (FTEEs) per month during the covered period divided by:

One of the following:

- Average number of FTEEs per month employed from February 15, 2019 to June 30, 2019; or
- Average number of FTEEs per month employed from January 1, 2020 until February 29, 2020.

Forgiveness is also reduced by an amount equal to any reduction in the total salary or wages of any employee during the covered period that is more than 25% of their compensation during their most recent full quarter of employment before February 15, 2020. This reduction applies only to employees who did not receive during any single pay period during 2019 a salary or wages at an annualized rate of over \$100,000.

If you have already reduced your number of employees or reduced your employees' wages, there is relief from these forgiveness reduction penalties for employers who rehire employees or make up for wage reductions by June 30, 2020.

For any amount of the loan that is not forgiven payments will be deferred for a period of at least six months and up to one year. There are also no penalties for early repayment of any amount of the loan not forgiven.

Participation in this loan program can make you ineligible for the employee retention credit and other credits being made available to businesses but does not disqualify you from applying for an EIDL to help cover other expenses not covered by this loan.

This program will be administered through the SBA's network of approved lender banks. If you have a relationship with an SBA lender already, we recommend reaching out to them as they will have a list of materials they are requiring for consideration for these loans. For more information, assistance in applying for this or other loan and grant programs, or if you have any other questions please contact either the partner or accountant with whom you work.

Additional relief programs for businesses that are too large to benefit from the

expanded SBA loan programs will be made available shortly, the CARES Act provided for the development of a program to provide low interest loans to businesses with 500-10,000 employees. As details of these additional programs become available, we will share them with you.

## Gold Gerstein Group, LLC

### SBA Economic Injury Disaster Loan (EIDL)

### Paycheck Protection Program (CARES Act) (PPP)

#### What Businesses are Eligible?

Small Businesses, Small Agricultural Cooperatives, Aquaculture Businesses, Most Private Non-Profit Organizations

Small businesses, Not-For-Profits, Veterans' Organizations, and Tribal businesses with less than 500 employees.

#### Who are the Loans Administered Through?

Small Business Administration Directly

SBA Authorized Lender

#### Are Applications Currently Available?

Yes

No but anticipated to be available April 6th or before

#### What is the Loan Application Deadline?

Varies by state but generally December 2020

June 30, 2020

#### What is the Maximum Interest Rate?

For Profit Businesses 3.75%, Non-Profit Organizations 2.75%

4%

#### What is the Maximum Loan Amount?

\$2,000,000

\$10,000,000 (Capped at 2.5 times borrower's average monthly payroll costs, defined below)

#### What is the Maximum Repayment Term?

Up to 30 years

Up to 10 years

#### Are There any Collateral Requirements?

Yes

None

#### Is a Personal Guarantee Required?

Yes, for certain loans

No

#### How Long are Payments Deferred?

One year

Six months to one year

#### Is There a Penalty for Pre-Payment?

No

No

**What can I Use the Loan Proceeds for?**

Employee salaries and wages, paid medical or sick leave, insurance premiums, mortgage, rent, or utility payments

Payroll costs; Group health benefits during period of paid sick, medical, or family leave, and insurance premiums; Payments of interest on mortgage obligations; Rent or lease payments; Utilities; Interest on obligations incurred before February 2020

**What Amount of the Loan is Forgivable?**

None

Payments made in the eight-week period after the loan origination date for covered payroll costs, interest payments on mortgages, rent, and utilities will be forgiven. Forgiveness amounts will be reduced for any employee cuts and for reduction of employee salaries.

**Can the Businesses Still Qualify for the Employee Retention Credit?**

Yes

No

Payroll costs are defined as compensation to employees such as salary, wages, commissions, etc.; paid leave; severance payments; payments for group health benefits; retirement benefits; state and local payroll taxes; and compensation to sole proprietors or independent contractors up to \$100,000 per year prorated for the covered period.

For a more detailed explanation please reach out to the Gold Gerstein Group LLC partner or accountant with whom you work.

This information has been provided by Gold Gerstein Group, LLC.

Moorestown Office: (856) 727-0100

Voorhees Office: (856) 770-1400



**GOLD GERSTEIN GROUP LLC**

Certified Public Accountants and Consultants