



**Meat and Potatoes of PPP and PPP Forgiveness**

# Our Resource Partners & UGA SBDC Statewide Reach



*Funded in part through a Cooperative Agreement with the U.S. Small Business Administration.*



UNIVERSITY OF  
**GEORGIA**

*A Public Service and Outreach Unit of the University of Georgia.*

- **17 offices covering every county.**
- **University of Georgia working in conjunction with six other state universities.**

UNIVERSITY of  
**West Georgia**

CLAYTON STATE  
UNIVERSITY

GeorgiaState  
University

GEORGIA  
SOUTHERN  
UNIVERSITY



VALDOSTA STATE  
UNIVERSITY



KENNESAW STATE  
UNIVERSITY



Small Business  
Development Center  
at Kennesaw State University  
UNIVERSITY OF GEORGIA

[georgiasbdc.org](http://georgiasbdc.org)

**KENNESAW STATE  
UNIVERSITY**  
COLES COLLEGE OF BUSINESS

# EIDL and EIDL Advance



Began under the Family First Act



Loans were made between SBA and business as part of Disaster Relief Program



The first two weeks were disasters, with website crashes, shutdowns for days and rules changed in the middle of the process



With the CARE ACT, the EIDL had a cap of \$2MM, and offered an Advance of \$10,000, later to be modified to up to \$10,000, later to be modified again to \$1,000 per employee.



Recently, the EIDL maximum loan amount was reduced to \$150,000.



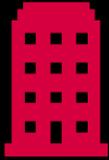
The Advance was not called a Grant. Under the CARE ACT, it must be repaid as part of the forgiveness portion of the PPP

# PPP Loan PT1

## Paycheck Protection Plan (PPP)

- Part of CARES ACT signed into law March 27<sup>th</sup>, 2020
- Allocated \$350B in SBA Guaranteed Loans to be Funded through Financial Institutions
- Allowed new Lenders to participate in the SBA program
- Relaxed certain regulations for Restaurant Industry, including affiliations regulations and employee count per location versus total count
- Allowed for forgiveness up to 100% of the loan, if certain criteria were met
- Any unforgiven portion would be termed out at the end of the year with a rate up to 4.75% and a term of up to 10 years

# PPP (continued)



## Eligibility:

Small businesses as defined by SBA size standards, generally up to 500 employees, but up to 1,500 employees depending on the sector as certain sectors are based on revenue.

Sole proprietors, the self-employed, and independent contractors.



## Regulatory Streamlining:

SBA's standard "no credit elsewhere" test is waived.

No personal guarantee or collateral required.

No additional fees will be applied to these loans.



Size of loans: Up to \$10 million. Loan amount is based on recent payroll costs, compensation paid to individuals, including the self-employed. Maximum Loan amount is 2.5X monthly payroll. Calculations based on same period from 2019 with exceptions for seasonal and new businesses.



**The business must certify the loan will be used to retain workers, maintain payroll, make mortgage or lease payments, and pay utilities.**



# PPP Part 2

## Paycheck Protection Program (PPP)

- \$310 Billion for PPP
  - \$30 Billion Institutions (\$10-50 billion assets)
  - \$30 Billion Institutions (<\$10 billion assets)
  - Good Faith that the loan is needed to sustain the Business
  - Allocations to smaller banks to reach smaller businesses
  - Loan amount Maximum of \$10M

# Paycheck Protection Program (PPP) Forgiveness

Loans may be forgiven, up to an amount equaling eligible payroll, mortgage interest, rent and utility cost, incurred during the 8-week period starting from loan origination.

- In further guidance, the SBA and Treasury established that 75% of the loan proceeds must be used for payroll and non-payroll costs cannot make up more than 25% of the loan forgiveness amount
- Compensation in excess of \$100,000 a year to any individual, independent contractor or sole proprietor will be reduced to \$100,000 annually for all calculations.
- An EIDL Advance amount “shall be reduced from the loan forgiveness amount for a loan for payroll costs” (CARE ACT, Sect 1110, Sect (e) , subsection (6)).

# PPP Forgiveness

- 75% of the loan must be used for payroll over an 8-week period and non-payroll costs cannot make up more than 25% of the loan forgiveness amount.
- The 8-week period begins at the time of loan disbursement
- Loan forgiveness is reduced by layoffs or pay reductions in excess of 25%. SBA and Treasury has updated the guidance that if the Employer makes an offer to a laid off worker in writing, and the worker refuses to return, the worker will be excluded from the CARES Act's loan forgiveness reduction calculations.
- Further, if the employee rejects the offer of re-employment, he may forfeit eligibility for unemployment.
- Loan forgiveness is not treated as taxable income; however, the IRS has ruled any expense paid by the PPP forgiven portion can not be deducted on income tax.

# SBA Guidance: what do we know?

- SBA and the Department of the Treasury are working together to get clarification.
- The SBA has approved more loans in 2 months than they processed in the previous 14 years.
- The CARES ACT was drafted, signed and went into effect within 8 days,
- Lenders and the SBA had less than a week to understand the act, develop portals, train staff and relay to everyone the Regs and Rules.
- The interpretations of the Act and feasibility continue to change.
- For instance, initially, pay to Independent Contractors could be considered payroll, then it couldn't.

# New Guidance 5-15-20

- ❑ Borrower must complete the SBA form 3508 and submit the form to the bank where the PPP loan was done. It can be done electronically.
- ❑ The eight-week period starts on the loan disbursement date and lasts for 56 days.
- ❑ An Alternative Payroll Period can be used. The eight-week period starts on the first payroll date following the disbursement of the PPP Loan.
- ❑ The eight-week payroll period did not change but the start date has a little more flexibility.
- ❑ Current guidance can be located:  
<https://home.treasury.gov/system/files/136/3245-0407-SBA-Form-3508-PPP-Forgiveness-Application.pdf>.

# What Constitutes Payroll?

According to the CARES Act: The term ‘payroll costs’— means

- “(aa) the sum of payments of any compensation with respect to employees that is a—
- “(AA) salary, wage, commission, or similar compensation;
- “(BB) payment of cash tip or equivalent;
- “(CC) payment for vacation, parental, family, medical, or sick leave;
- “(DD) allowance for dismissal or separation;
- “(EE) payment required for the provisions of group health care benefits, including insurance premiums;
- “(FF) payment of any retirement benefit; or
- “(GG) payment of State or local tax assessed on the compensation of employees;”

# What happens if I do not hit 75% Payroll?



The amount forgiven shall be reduced by the amount of any reduction in total salary or wages of any employee during the covered period in excess of 25% of the total salary of the employee during the most recent quarter during which the employee was employed, before the covered period.



Under guidance from the SBA, if the 75% payroll is not attained the 25% other will not be forgiven, only the payroll spent.



Any remaining balance will be required to be paid back, either in a principal reduction, or converted to a term loan at the end of the year.

# What are the terms for the unforgiven portion?

Currently, at the end of 2020, the balance will be amortized. There will be a 6-month deferment, with interest accruing, then the balance will have an 18-month straight line amortization.

There is no early payment penalty.

# Potential Changes

- There was a proposal on May 8<sup>th</sup> by Sen. Mitt Romney, R-Utah, to increase pay of workers by \$12 an hour through July if they worked in restaurants, grocery stores or other businesses that have been deemed essential.
- Several organizations, including the National Restaurant Association, have request the Department of Treasury and the Small Business Administration consider extending the forgiveness time frame of 8 weeks to 3 months and/or lowering the 75% payroll expenditure rule to 50%.
- Also , for the unforgiven balance, extending the term to the original CARES ACT length of 10 years for the current two-year term
- In the Heroes Act, just passed by the House, the period of PPP forgiveness would be extended to 24 weeks.

# I didn't get the PPP, is there anything else?

## Employee Retention Tax Credit

- ERC is a refundable tax credit against certain employment taxes equal up to 50% of the qualified wages, beginning March 12, 2020, for employers who pay their employees.
- Maximum amount of qualified wages for each employee is all quarters through Dec. 31<sup>st</sup>, 2020 is \$10,000 or a maximum tax credit of \$5,000 per employee.
- Must have fully or partially suspended operations during 2020.
- Experienced a significant decline in gross revenue
- Not a Government employer
- Did not apply for or accept PPP funds

# SBA Express

Maximum Loan amount has been increased from \$350,000 to \$1,000,000

Lenders can use their own forms, their own collateral and guarantee requirements

Lender makes Credit Decision in-house

SBA offers a 50% guarantee

Can be used as a Line of Credit

There are fees involved and the interest rate is much higher than a 7A, Prime +4.50% for loans over \$50K, Prime +6.5% for those under \$50K.

Term are 7yrs for Line of Credit, 10 yrs. for working capital or equipment, 25 yrs. for Real Estate

Much faster turn than a 7A or 504

# Coming Soon: Main Street Program

- Established by the Federal Reserve
- Eligibility for Program
  - U.S. Businesses with 15,000 or fewer employees with revenues of \$5B or less
  - Must be established before March 13, 2020
- Loans will be for a minimum of \$500,000, maximum \$25M with a 4-year maturity,, rates tied to LIBOR +300 basis points
- Principal and interest deferred for the 1<sup>st</sup> year, amortized one-third at the end of second year, one third at the end of the third year and one-third at the end of the fourth year
- No Prepayment Penalty



**Questions ???**