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## **Payroll Protection Program Summary**

To our Clients & Friends,

As we navigate through these new and rapidly changing times, we will try to navigate you through the Governmental programs to provide much needed relief for individuals, small and large businesses, Not-for-Profits and their employees who have been adversely effected by the outbreak of COVID-19. The cornerstone of the SBA Loan Program is the Paycheck Protection Program.

This is an emergency lending operation administered by the Small Business Administration (SBA) under its 7(A) Lending Program to provide small business loans on favorable terms to borrowers impacted by the current state of the economic uncertainty. Its fundamental objective is to help small businesses cover their near-term operating expenses during the worst of the crisis and to provide a strong incentive for employers to maintain their employees.

### **HOW DOES IT WORK**

The program which targets small businesses and Not-for-profits that have under 500 employees, will be coordinated with your local bank. The required bank paperwork is not yet available, but we suggest you contact your bank and begin to gather the required paperwork.

The covered loan period is retroactive to Feb.15, 2020 and goes through June 30, 2020.

To be eligible for the loan, a business must have been operational as of Feb. 15, 2020 and have employees who were paid salaries and payroll taxes or a paid independent contractor.

The loan is determined based upon 2 ½ times monthly average payroll costs (up to a maximum loan of \$10 Million) during the one-year period before the date the loan is made. For purposes of determining average monthly payroll costs, eligible payroll does not include compensation above \$100,000 per year per employee.

For Seasonal Employers, the average monthly payroll costs are for the 12 weeks beginning on Feb.15, 2019 or from March 1,2019 to June 30,2019.

The allowable use of the loan funds is for payroll costs, commissions, payment of group health benefits, insurance premiums, retirement benefits, care costs during periods of sick leave, family leave, rent, utilities and interest on debt obligations.

For Sole Proprietors, Independent Contractors and Self-Employed individuals, the loan payments will not exceed \$100,000 in one year.

The loan will be forgiven if the loan proceeds during the 8-week period during the loan were used to pay for the costs stated above. In the event they are not used for the above that portion of the loan will not be forgiven and will be taxed over a period of 10 years with a minimum interest rate of 4%.

To encourage employers to rehire any employees who have already been laid off due to COVID-19, there will be no penalty to rehire the laid off employee, in fact this is the purpose of the program.

When can you apply:

- Starting April 3, 2020, small businesses and sole proprietorships can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders.
- Starting April 10, 2020, independent contractors and self-employed individuals can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders.

What you may need to apply:

- You will need to complete the Paycheck Protection Program loan application (available on our website)
- Submit the application with the required documentation to an approved lender that is available to process your application by June 30, 2020.
- The banks have not released what information they will require. We suggest you will gather the following payroll documentation in anticipation:
  - 2019 Form 940
  - 2019 Form 941 (all four quarters)
  - 2019 Form NYS-45 (all four quarters)
  - 2019 Form W3
  - 2019 Form W-2 (all)

For additional resources please check the following links:

- Small Business Association - <https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>
- US Department of the Treasury - <https://home.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses>
- US Chamber of Commerce - <https://www.uschamber.com/report/covid-19-emergency-loans-small-business-guide>