

Q&A: SBA Paycheck Protection Program

The CARES Act includes \$349 billion for a federal small business loan program called the Paycheck Protection Program (PPP). The program is designed to get cash in the hands of small businesses quickly and incentivize business owners to keep employees on payroll by offering them loan forgiveness. This loan provides small businesses with funds to pay up to 8 weeks of payroll costs including benefits. SBA will fully forgive the loan if all employees are retained and if 75% or more of the money is used on payroll.

Who can apply?

In order to be eligible, you must be a small business (500 employees or less). Self-employed individuals such as sole and independent contractors can also be eligible.

How can the loan be used?

For payroll (including benefits), interest on mortgage, rent and utilities.

How much of the loan will be forgiven?

In order to be fully forgiven, you must retain all employees and use 75% or more of the loan on payroll. If you are unable to retain all employees, you will be required to repay a portion of the loan.

What are the loan terms?

Interest rate is 1%. All payments are deferred for six months, though interest will continue to accrue during this period. Any portion of the loan that is not forgiven will need to be repaid within 2 years. You do not need to pledge any collateral to receive this loan.

How to apply?

This program is available through participating SBA lenders. A list of SBA lenders in North Carolina can be found here [[sba.gov](https://www.sba.gov)]. View and download the application here [[sbtfdc.org](https://www.sbtfdc.org)], but be sure to connect with your lender to determine if there are other forms and documentation you need to fill out and submit.

What materials will you need to apply?

Reach out to a participating lender and work with them to gather the necessary documentation such as:

- Payroll and payroll tax records for the last year
- For sole proprietors: you will need documentation of income and expenses. If this is not available, you must provide supporting documentation such as bank records to show payroll amount.
- Calculate your maximum borrow level:
 1. Aggregate payroll costs from the last twelve months for employees whose principal place of residence is the United States.
 2. Subtract any compensation paid to an employee in excess of annual salary of \$100,000
 3. Calculate average monthly payroll costs (divide the amount from Step 2 by 12).
 4. Multiply the average monthly payroll costs from Step 3 by 2.5.
 5. Add the outstanding amount of an Economic Injury Disaster Loan (EIDL) made between January 31, 2020 and April 3, 2020, less the amount of any "advance" under an EIDL COVID-19 loan (because it does not have to be repaid).

Do independent contractors count as employees for purposes of loan forgiveness?

No, independent contractors have the ability to apply for a PPP loan on their own so they do not count for purposes of a borrower's PPP loan forgiveness.

Accepting an approved loan?

First step to consider:

Will your employees return?

Employees may be collecting new unemployment benefits that provide an increase in pay. In order to be fully forgiven, you must maintain full payroll.

If I apply for a PPP, can I still apply for other SBA disaster loans?

Yes. However, you cannot use your PPP loan for the same purpose as your other SBA loan(s). If you received an SBA Economic Injury Disaster Loan (EIDL), you can apply for a PPP loan. If your EIDL loan was not used for payroll costs, it does not affect your eligibility for a PPP loan. If your EIDL loan was used for payroll costs, your PPP loan must be used to refinance your EIDL loan. Proceeds from any advance up to \$10,000 on the EIDL loan will be deducted from the loan forgiveness amount on the PPP loan.

If I accept a PPP loan, do I still qualify for the Employee Retention Credit?

No. The Employee Retention Credit is a payroll tax credit equal to 50% of qualified wages paid to employees from March 13, 2020 to December 31, 2020. The Employee Retention Credit can provide a refundable credit of up to \$5,000 for each full-time employee you retain between Mar. 13 and Dec. 31, 2020. If you take advantage of a PPP loan, you are not eligible for the Employee Retention Credit and vice versa.

More questions?

Visit the SBA website found here: [\[sba.gov\]](https://www.sba.gov)