

## Paycheck Protection Loan Program – YOU NEED TO APPLY

With the passage of the CARES Act, there is one key provision that virtually all businesses need to apply for; the Paycheck Protection Loan Program. This program is designed to keep workers at work and provide employers additional means to pay for certain expenses. Virtually all businesses are being affected by the pandemic or will be soon. This is a “first come, first serve” program so you do not want to wait to apply.

If you have less than 500 employees (defined as a Small Business under the CARES Act for the Paycheck Protection Loan Program) and are going to retain and pay all of your employees at full wages for 8 weeks after the loan is issued, ***then the loan amount will most likely be fully forgiven***. If you have any questions on this program or any other provision in the CARES Act, Somerset CPAs is here to help. Contact Jason Bainter at [jbainter@somersetcpas.com](mailto:jbainter@somersetcpas.com) or directly at 317-501-8537.

### Highlights:

- These loans will be administered by SBA preferred commercial lenders in the same manner as traditional SBA 7(a) loans
- There are no personal guarantee or collateral requirements
- There are no fees to apply for the loan
- May qualify for forgiveness
- Any amount forgiven is not includable in taxable income
- Amounts not forgiven are payable over 10 years at an interest rate not to exceed 4%

### How much can I borrow?

- The LESSER of:
  - Average total monthly payments by applicant for payroll costs incurred during the 1-year period before the date on which the loan is made, multiplied by 2.5; or
  - \$10 million

### What qualifies as “Payroll Costs”?

- Sum of payments of any compensation with respect to employees that is a –
  - Salary, wage, commission, or similar compensation
  - Payment of cash tip or equivalent
  - Payment for vacation, parental, family, medical or sick leave
  - Allowance for dismissal or separation
  - Payment required for group health benefits
  - Payment of retirement benefit
  - The sum of payment of any compensation to or income of a sole proprietor or independent contractor that is a wage, commission, income, net earnings

from self-employment, or similar compensation and is not more than \$100,000.

- DOES NOT INCLUDE:
  - Compensation of an employee in excess of an annual salary of \$100,000

### **What can I use it for?**

- Payroll costs – employee salaries, commissions or similar compensations
- Costs related to continuation of group health benefits
- Payments of interest on any mortgage obligation (shall not include any prepayment of or payment of principal on a mortgage obligation)
- Rent
- Utilities
- Interest on any other debt obligations that were incurred before the covered period

### **How can I qualify for the loan forgiveness?**

- An eligible recipient shall be eligible for forgiveness of indebtedness on a covered loan in an amount equal to the sum of the following costs incurred and payments made during the covered period (8-week period beginning on date of origination of covered loan):
  - Payroll costs
  - Payments of interest on any covered mortgage obligation
  - Payments on any covered rent obligation; AND
  - Covered utility payments
- For covered loans, recipients of loan forgiveness do not have to include it in taxable income.