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CERTIFIED PUBLIC ACCOUNTANTS

Treasury Provides Paycheck Protection Program Q&A's

The Treasury has released guidance Thursday night on the new Paycheck Protection Program (“PPP”), a program from the Small Business Administration (“SBA”) which includes a Covid-19 Relief potentially forgivable loan under the Coronavirus, Aid, Relief, and Economic Security Act (“CARES”). As you may know, the loan for qualifying self-employed individuals and businesses is designed to provide payroll cost cash flow funding that can be forgiven based upon employee retention. Loan applications for businesses are being accepted today, however many SBA approved lenders who are supposed to receive and process these applications, are not ready to take them in.

The loan borrowing base is based on certain payroll costs, including wage compensation, health insurance premiums paid by the business, fringe benefits, pension benefits paid by the business, amongst a few other items. The borrowing base definition was vaguely defined to include and exclude certain things which Treasury has now shed some light on.

- Payroll costs are supposed to be aggregated for the last 12 months from the date of application.
- Payroll should only be for employees whose principal place of residence is the United States.
- Payroll limits (\$100,000) are after you consider all forms of compensation including health insurance costs and pension benefits.
- Reduce payroll costs for Federal employment taxes imposed or withheld between February 15, 2020 and June 30, 2020 including employees and employers share if FICA and income taxes. No doubt they are excluding this as there are other COVID-19 programs related to the payment of these taxes for these dates).
- Reduce payroll costs for qualified sick and family leave wages for which a credit is allowed under the Families First Coronavirus Response Act.
- Independent contractors do not count in the determination of payroll costs as they can apply for this benefit themselves under the self-employed portion of this program.

In addition, there are further clarifications as follows:

- The borrowing rate on the loan is 1%.
- The loan maturity is two years.
- The PPP program is first come, first served. Get your application in soon.
- Application parts include the SBA Form 2483, payroll documentation (941's or other reports) and the lender must submit SBA Form 2484.
- For review of the forgiveness computation, spending must be at least 75% of the eight-week spending subsequent to the loan funding. 25% can constitute other costs such as group health insurance, mortgage interest payments, rent payments, utility payments, interest on other debt incurred before February 15, 2020.

SKP urges you to get your applications in to the SBA approved lenders as soon as possible. We are happy to assist with this process in gathering data.