

## Payroll Protection Program (PPP) Loan Calculations:

The SBA released guidance on 4/3/20 to calculate the total loan a company is eligible to receive under the PPP loan.

To be eligible, the company must have a total of 500 employees or less, and have been in business on 2/15/20. Applications are available until June 30<sup>th</sup>, or until the funds of \$349 Billion are exhausted.

## Expenses to take into consideration for loan amounts:

- Compensation (salary, wages, commission, or similar compensation, cash tips, etc)
- Payment for vacation, family, medical, and sick leave
- Allowance for employee dismissal or separation
- Payment for group health-care benefits including insurance premiums
- Payment of employee retirement benefits
- Payment of state and local taxes imposed on the compensation of employees

## Amount for the loan cannot include:

- Compensation over \$100K per employee
- Taxes withheld from employees
- Employer portion of FICA taxes
- Wages paid through a 1099-Misc
- Compensation of employees living outside the United States
- Qualified sick and family leave credits that are allowed under the Families First Coronavirus Response Act
- Loans used for duplicate purposes of another SBA loan program already claimed by the applicant.

## If a loan is received, the funds can be used to pay:

- Payroll costs
- Costs related to the continuation of group health-care benefits, paid sick, paid medical, and paid family leave and insurance premiums
- Employee's salaries, commissions, or similar compensation
- Payments of interest on any mortgage obligations (not including prepayment fees or payment of principal on the mortgage itself)
- Rent (including rents under a lease agreement)
- Utilities
- Interest on any other debt obligations

SBA will forgive through a phaseout program all loans under the PPP providing the 3 requirements are met & can be proved:

- Loans must be used for their exclusive purposes
- Loans are used to offset no more than 8 weeks of eligible payroll expenses

- Business must retain employees at salary levels comparable to prior period
- The phaseout of forgiveness has yet to release technical guidance, but states the general phaseout rules apply:
  - Employee Equivalents compared to a prior period
  - Employees salary levels that are reduced above 25%
  - **\*\*The SBA says there will be more guidance to follow\*\***

**Sole Proprietors** are also available to receive the PPP loan. They must provide proof of business income:

- By a 1099-Misc as proof of income for the loan
- Can submit a profit and loss from the sole proprietorship

Lender's may ask for payroll reports, and whatever data they deem necessary to prove the borrower is providing correct information.

Borrowers cannot receive more than one PPP loan

If you previously qualified for an EIDL loan advance of \$10,000, the amount of the PPP loan you are eligible for is reduced by \$10,000.

Some lenders are currently taking applications, but there is ambiguity on the submission of these loan applications to the SBA.

RainCity CPA PLLC