

CARES Act:

Small Business Interruption Loans
EIDL and PPP overview

CARES Act Summary – April 15, 2020



This is Hard

- Brand New Legislation
 - Passed into law 18 days ago
 - Moving Target
 - Rules and Clarification keep changing
- \$350,000,000,000 of funding available
 - Massive amount of money to be loaned before June 30, 2020
- Each Bank is different
 - Interpretation of changing rules
 - How much they can loan
- The initial funds are about out.....

Programs Available

- EIDL Loans (Economic Injury Disaster Loan)
 - Available much quicker??
 - Apply directly to SBA ([sba.gov](https://www.sba.gov))
 - \$10k payment within “days”
 - 10 year Loan @4% Interest
 - Apply via [SBA.gov](https://www.sba.gov) NOW.
 - May be allowed to “fold into” PPP Loans
- PPP Loans (Forgivable Payroll Protection Prog)
 - Forgivable Loan for Payroll Costs, benefits, rent, interest portion of mortgage, utilities

Who is eligible for PPP loans

- For profit companies
- Not for profit entities
- Adversely impacted by COVID-19
 - Supply chain disruptions, staffing challenges, decrease in sales
- <500 employees
- Business in operation on February 15, 2020
- Had employees for whom the business paid salaries and payroll taxes or 1099 Indep. Contractors
- Sole proprietors and Independent Contractors also eligible (can't apply until April 10)

PPP Loans How Much Can I Borrow

- Maximum of 2.5 X Average Monthly Payments of
 - Timeframe for calculation is bank specific
 - Some are 2019
 - Some are 12 months prior to loan app.
 - Payroll Costs defined as:
 - W2 Payroll Costs +
 - Guaranteed Payments, Self Employed Income for Owners (Partnership LLC structure) +
 - Group Health Care costs paid by company +
 - Retirement Benefits paid by company
 - Payroll costs excluded
 - Comp. above \$100k for employees
 - Payroll taxes (Employer and Employee FICA)
 - Timeframe is bank specific
 - Qualified Sick Leave that qualify for other Coronavirus Acts
 - Adjustment for previous EIDL loan participation
- Maximum of \$10,000,000
- Banks may have other limitations
 - Chase, Wells Fargo Example(s)

What Can I Use the Money For

- 2 months of business expenses including:
 - Payroll including sick leave, medical or family leave
 - Group Health Care Benefits during medical/family leave
 - Rent
 - Utilities
 - Interest portion of other mortgage payments incurred before Feb 15, 2020

Loan Forgiveness

- Forgiveness in an amount equal to the cost of maintaining payroll continuity for 8 weeks from loan origination
 - Total payroll costs during the 8 weeks X 75%
- The Treasury Dept anticipates less than 25% forgiveness for:
 - Rent
 - Utilities
 - Additional wages paid to tipped employees
- Forgiveness is reduced if:
 - Full Time Employee reduction during the covered period (March – June)
 - *Compensation is reduced by more than 25%
 - Previous Quarter vs March – June timeframe
- Loan Forgiveness is not taxed!!
- Unforgiven portion of loan converts to 2 year loan at 1% interest

Forgiveness Strategy

- Loan is forgiven if you don't change payroll or
- By June 30, 2020:
 - Company brings employees back
 - Company restores wages
- Wage Reduction may make sense:
 - Lower wages during the crisis to extend companies cash and keep more employees working
 - Increase wages by June 30
- Layoff's with intent to bring employees back
 - Lower cash flow during crisis and bring back as business ramps up
 - Ideally by June 30

Overall Thoughts

1. Start with the banks
 1. Each Bank is interpreting differently
 2. Each bank has their own calc/forms/etc
2. Evaluate salary reductions in combination with Loan(s) to buy the business more time to evaluate long term impact to business
3. Evaluate layoff's in combination with Loan(s) to buy the business more time to evaluate long term impact to the business