Updates to the SBA Paycheck Protection Program Application Process

Brought to you by
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CARES Act and SBA Loan Update

SBA information as of 4/7/2020, subject to changes.
Stimulus Programs

  - $8.3 billion coronavirus spending bill
  - Economic Injury Disaster Loan (EIDL) (7)(b) program – applied to coronavirus

- **Phase 2: H.R. 6201**, Families First Coronavirus Response Act
  - Division C: Emergency Family and Medical Leave Expansion Act.
  - Division D: Emergency Unemployment Insurance Stabilization and Access Act of 2020
  - Division E: Emergency Paid Sick Leave Act
  - Division G – Tax Credits for Paid Sick and Paid Family and Medical Leave
Stimulus Programs

- **Phase 3: H.R. 748, CARES Act.**
  - $2 trillion stimulus
  - Paycheck Protection Program – 7(a) loan program with loan forgiveness. $349 billion.
  - $10 billion for EIDL Loans
  - $500 billion – economic stabilization fund
    - Main Street Loan Program
  - $9.5 billion – Secretary of Agriculture
  - $14 billion – Commodity Credit Corporation
Updates since April 2, 2020

- Eligibility definition expanded
- Employee headcount
- Loan Amount and payroll cost review
- Non-payroll 25% rule with forgiveness
- Terms updated
- Affiliations updated
- Lenders
- EIDL Emergency Grant
Eligible Applicants

- Independent contractors, sole proprietors, self-employed individuals
- Any business or 501c3 non-profit with <500 employees
- Can have >500 employees depends on NAICS code
- Not limited by SBA income limitations for small business concerns.
- Additionally, a business can qualify for the Paycheck Protection Program as a small business concern if it met both tests in SBA’s “alternative size standard” as of March 27, 2020:
  
  1. maximum tangible net worth of the business is not more than $15 million; and
  2. the average net income after Federal income taxes (excluding any carry-over losses) of the business for the two full fiscal years before the date of the application is not more than $5 million.
Determining Employee Headcount

- For determining if business employs not more than 500 employees the term employee includes any full time or part time employee or other basis.
  - Only include employees whose residence is US
  - Exclude H2A labor

- SBA guidelines released 4/6/2020 state:
  - Average employment over the same time periods used for payroll, or
  - Borrower may elect to use SBA’s usual calculation
    - Average #employees per pay period in the 12 completed calendar months prior to the date of the loan application
Loan Amount

- Maximum loan amount is **lesser** of:
  - Maximum loan amount 2.5x average monthly payroll **incurred during calendar year 2019 or 12 months prior to application date**
    - Outstanding Amount of b(2) loan issued after Jan. 31, 2020 and ending on April 3, 2020 used for payroll costs to be refinanced under the covered loan.
    - **Seasonal businesses may elect to use average monthly payroll from February 15, 2019 or March 1, 2019 to June 30, 2019**
  - Or $10 million
Definition of Payroll Costs

- Salary, wages, commissions, or tips (capped at $100,000 on an annualized basis for each employee)
- Employee benefits including costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit;
- State and local taxes assessed on compensation; and
- For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at $100,000 on an annualized basis for each employee.

Does NOT include

- Compensation of employee annual salary greater than $100,000 as prorated for the covered period
- Any compensation of an employee whose principal place of residence is outside the US
- Taxes imposed or withheld under chapters 21, 22 or 24 of IRS code of 1986 during covered period,
- Qualified sick leave wages for which a credit is allowed under section 7001 of Families First Coronavirus Response Act (public law 116-127)
- Qualified family leave wages for which a credit is allowed under section 7003 of the FFCRA (public law 116-127)
Funds that are not forgiven will then be termed out up to 2 years maximum with a maximum 1% interest
  • All payments are deferred for 6 months; however interest will accrue over this period

SBA has given guidance on forgiveness amount requested
  • It is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs

Affiliation rules updated

Lenders
Emergency Grant with EIDL

- Advance of funds from EIDL request
- Shall be not more than $10,000
  - Based on employee count as of now
- Use of funds
  - (A) providing paid sick leave to employees unable to work due to the direct effect of the COVID–19;
  - (B) maintaining payroll to retain employees during business disruptions or substantial slowdowns;
  - (C) meeting increased costs to obtain materials unavailable from the applicant’s original source due to interrupted supply chains;
  - (D) making rent or mortgage payments; and
  - (E) repaying obligations that cannot be met due to revenue losses.

- This emergency grant of funds can be forgiven even if you are denied on your EIDL.
Q&A

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Questions?

Find more information in the AmericanHort Coronavirus Resource Center at AmericanHort.org/Coronavirus