Paycheck Protection Program

The Coronavirus Aid, Relief and Economic Security Act (CARES Act) provides for the Paycheck Protection Program (PPP). Funding for this program is limited and businesses apply for loans through their business lender. Our understanding is that applications will be processed on a first-come, first-served basis. The application is very simple. However, it takes some information gathering to determine the relevant amounts and numbers to enter.

Information to Gather for 2019

1. Gross payroll paid to employees during 2019. Compile your Quarterly Form 941s for 2019, as well as the Year-To-Date 12/31/2019 payroll register, to support the amounts. *Gross payroll includes salaries, wages, commissions, cash tips, vacation, parental, family, medical or sick leave, paid by the Employer.*
2. Determine the individuals who made over $100,000 in 2019.
3. Compile a summary of all health insurance premiums paid for by the Company during 2019. Do not include the portion of premiums that is paid with withholdings from employee paychecks.
4. Compile a summary of all employer-paid retirement benefits paid during 2019. Include 401k matching, profit-sharing and other contributions.
5. Compile a summary of all state unemployment taxes (SUTA) paid during 2019, including copies of the forms filed with the State.
6. If the Company is organized as a Partnership, please call us for further instructions on gathering data on net earnings from self-employment for all partners.
7. Exclude amounts paid to/for individuals whose principal place of residence is outside of the U.S.

Copies of this documentation (items #1-7 above) must be provided to the lender.

Additional Information to Gather for the Lender

1. 2019 Company financial statements
2. Interim Company financial statement for January 1, 2020 – February 28, 2020
3. Most recent monthly statements for mortgages and commercial loans

Restriction on Use of PPP Loan Proceeds

Proceeds must be used for: payroll costs, mortgage interest payments, rent and utilities. The amount of the proceeds used for these expenses in the 8-week period following origination of the loan must be tracked by the Company. The support (payroll reports, invoices, statements, etc.) will then be provided to the lender with the application for loan forgiveness. No more than 25% of the proceeds can be used for nonpayroll costs.

Limitations

A business obtaining a loan through the PPP will not be able to use the payroll tax credits available under the Employee Retention Credit (ERTC) or the payroll tax payment deferral program. Make sure you continue to make your payroll tax payments timely if you are applying for this loan.