



Coronavirus Aid, Relief and Economic Security Act (CARES Act) Small Business FAQs

What is the Paycheck Protection Program (PPP)?

A new \$350 billion loan program at SBA for small businesses, self-employed, and gig workers to help them from going under due to the COVID-19 pandemic. If employers maintain payroll, the loans would be forgiven.

Is my business eligible? Yes if:

- A small business with fewer than 500 employees
- A small business that otherwise meets the SBA's size standard
- A 501(c)(3) with fewer than 500 employees
- An individual who operates as a sole proprietor
- An individual who operates as an independent contractor
- An individual who is self-employed who regularly carries on any trade or business
- A Tribal business concern that meets the SBA size standard
- A 501(c)(19) Veterans Organization that meets the SBA size standard

In addition, some special rules may make you eligible:

- If you are in the accommodation and food services sector (NAICS 72), the 500-employee rule is applied on a per physical location basis
- If you are operating as a franchise or receive financial assistance from an approved Small Business Investment Company the normal affiliation rules do not apply

REMEMBER: The 500-employee threshold includes all employees: full-time, part-time, and any other status.

Where can I apply for the Paycheck Protection Program?

You can apply for the Paycheck Protection Program (PPP) at any lending institution that is approved to participate in the program through the existing U.S. Small Business Administration (SBA) 7(a) lending program and additional lenders approved by the Department of Treasury. This could be the bank you already use, or a nearby bank. There are thousands of banks that already participate in the SBA's lending programs, including numerous community banks. You do not have to visit any government institution to apply for the program. You can call your bank or find SBA-approved lenders in your area through SBA's online Lender Match tool. You can call your local Small Business Development Center or Women's Business Center and they will provide free assistance and guide you to lenders.

Find more information here: <https://www.sba.gov/funding-programs/loans/paycheck-protection-program-ppp>

Find your local business center here: <https://www.sba.gov/local-assistance/find/>

What will lenders be looking for?

In evaluating eligibility, lenders are directed to consider whether the borrower was in operation before February 15, 2020 and had employees for whom they paid salaries and payroll taxes or paid independent contractors. Lenders will also ask you for a good faith certification that:

- The uncertainty of current economic conditions makes the loan request necessary to support ongoing operations
- The borrower will use the loan proceeds to retain workers and maintain payroll or make mortgage, lease, and utility payments
- Borrower does not have an application pending for a loan duplicative of the purpose and amounts applied for here
- From Feb. 15, 2020 to Dec. 31, 2020, the borrower has not received a loan duplicative of the purpose and amounts applied for here (Note: There is an opportunity to fold emergency loans made between Jan. 31, 2020 and the date this loan program becomes available into a new loan) If you are an independent contractor, sole proprietor, or self-employed individual, lenders will also be looking for certain documents (final requirements will be announced by the government) such as payroll tax filings, Forms 1099-MISC, and income and expenses from the sole proprietorship.

What lenders will not be looking for:

- That the borrower sought and was unable to obtain credit elsewhere.
- A personal guarantee is not required for the loan.
- No collateral is required for the loan.

NOTE: In Colorado, it will be taken into account if lenders have access to capital elsewhere.

What is the maximum amount I can borrow?

The amount any small business is eligible to borrow is 250 percent of their average monthly payroll expenses, up to a total of \$10 million. This amount is intended to cover 8 weeks of payroll expenses and any additional amounts for making payments towards debt obligations. This 8-week period may be applied to any time frame between February 15, 2020 and June 30, 2020. Seasonal business expenses will be measured using a 12-week period beginning February 15, 2019, or March 1, 2019, whichever the seasonal employer chooses.

When is the application deadline for the Paycheck Protection Program?

Applicants are eligible to apply for the PPP loan until June 30th, 2020.

How can I use the money such that the loan will be forgiven?

The amount of principal that may be forgiven is equal to the sum of expenses for payroll, and existing interest payments on mortgages, rent payments, leases, and utility service agreements. Payroll costs include employee salaries (up to an annual rate of pay of \$100,000), hourly wages and cash tips, paid sick or medical leave, and group health insurance premiums. If you would like to use the Paycheck Protection Program for other business-related expenses, like inventory, you can, but that portion of the loan will not be forgiven.

How much of my loan will be forgiven?

The purpose of the Paycheck Protection Program is to help you retain your employees, at their current base pay. If you keep all of your employees, the entirety of the loan will be forgiven. If you still lay off employees, the forgiveness will be reduced by the percent decrease in the number of employees. If your total payroll expenses on workers making less than \$100,000 annually decreases by more than 25 percent, loan forgiveness will be reduced by the same amount. If you have already laid off some employees, you can still be forgiven for the full amount of your payroll cost if you rehire your employees by June 30, 2020.

Who is Eligible?

- Any business concern, nonprofit organization, veteran's organization, or Tribal business concern that employs no more than 500 employees (or the size standard in number of employees established by the Administration for the industry in which such business operates)
- Sole proprietors
- Independent contractors
- Self-employed individuals

How can I use my loan?

- Employee compensation, including: salaries, wages, commissions, or similar compensation; cash tips or equivalents; vacation, parental, family, medical, or sick leave; payment required for providing group health care benefits (including insurance premiums); payment of retirement benefits; and payroll taxes.
- Any compensation or income of a sole proprietor or independent contractor no greater than \$100,000 in one year
- Payment of interest on mortgage obligations, rent, utilities, and interest on pre-existing debt obligations.

What is an Economic Injury Disaster Loan (EIDL)?

A low-interest, fixed rate loan that can provide up to \$2 million in assistance for small businesses that can be used to pay immediate expenses during an emergency.

What is an EIDL Grant?

The CARES Act creates a new \$10 billion grant program, leveraging SBA's Office of Disaster Assistance Infrastructure, to provide small businesses with quick, much-needed capital.

Who is Eligible?

- Private nonprofit organizations, small agricultural cooperatives
- Businesses; cooperatives; ESOPs; and tribal business concerns with 500 or fewer employees
- Independent contractors
- Sole proprietors (whether or not self-employed)

How does the process work?

- Eligible applicants who apply for an EIDL may request up to \$10,000 be immediately disbursed. The amount need not be repaid, regardless of the loan decision.
- EIDL borrowers may apply for the Paycheck Protection Program, but when determining loan forgiveness, the advance EIDL grant is taken into consideration.

How can I apply?

There are a couple of ways to apply. The SBA has an online portal where small businesses can upload documents and apply for a loan, or they can download the PDF on the agency's website and mail the forms.

Learn more information here: <https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources#section-header-2>

How Much?

A million small businesses are eligible to receive up to \$10,000.

How long will the process take?

The legislation requires SBA to disburse the funds within three days of approving the application

How Can it be Used?

- Any allowable purpose under the EIDL program
- Provide paid sick leave, maintain payroll, and meet increased costs
- Make rent or mortgage payments and repaying unmet obligations.

FOR MORE INFORMATION, PLEASE SEE:

House Small Business Committee: <https://smallbusiness.house.gov/about/coronavirus.htm>

Small Business Administration: <https://covid19relief.sba.gov/#/>

Colorado Small Business Development Center Network: <https://www.coloradosbdc.org/>

Small Business Administration PPP: <https://www.sba.gov/funding-programs/loans/paycheck-protection-program-ppp>