

Paycheck Protection Program

March 28, 2020

Who is eligible for the Paycheck Protection Program?

In response to COVID-19 crisis, the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act was signed into law on March 27, 2020. Under this Act, a \$349 billion Paycheck Protection Program (“PPP”) seeks to provide short term cash flow for small businesses. The PPP loan is available to small businesses, 501(c)(3) nonprofits, and 501(c)(19) veteran’s organization with fewer than 500 employees (full and part-time). Sole-proprietors, independent contractors, or other self-employed individuals are also eligible.

What is the main benefit of the Paycheck Protection Program?

Small businesses that receive PPP loans must use the funds to pay payroll costs, costs related to group health care benefits, interest on mortgage obligations, rent, utilities or interest on other debt, incurred before obtaining the loan. Principal amount on PPP loans, for the first 8-week period from when the loan is made, may be forgiven if loan funds are used to cover payroll costs, interest payments on mortgages, rent and utilities. To get the full benefit of loan forgiveness, businesses must keep their employees and pay them at least 75% of their prior-year compensation. For principal amounts that exist after any loan forgiveness under the PPP loan, small businesses may defer payment for at least 6 months and not more than a year. Therefore, businesses can get a substantial portion of their loan forgiven in the first 8 weeks after the loan is issued, and not have to make any payments for up to a year.

Paycheck Protection Program Loan and the Economic Injury Disaster Loan *are not* allowed for the same purpose.

PPP loans are distinct from the Economic Injury Disaster Loan (“EIDL”) program that is already available to small businesses. Small businesses *cannot* receive a PPP loan in addition to an EIDL loan through the SBA for the same purpose. Therefore, it is recommended that small businesses evaluate both programs and choose the loan that addresses their business needs more closely. The SBA is expected to issue regulations on the PPP application process. Once the SBA issues regulations, Mauck & Baker will provide additional analysis and guidance.

Please contact us with any questions. Following the release of the regulations for the PPP application process, Mauck & Baker will be able to advise and help businesses apply for PPP loans.

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