



CARES Act

Paycheck Protection Program (PPP)

April 3, 2020

The Paycheck Protection Program is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The U.S. Small Business Administration will forgive loans if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities.

Here's an overview ...

- Applicable to eligible small businesses in accordance with the criteria detailed by the SBA
- Funds available quickly
- Primary use – cover payroll for the eight weeks after you receive the loan
- Secondary use – less than 25% can be used to pay for interest on mortgage, rent/lease and utilities
- Funds are forgivable if used as described above
- Loan calculation
 - Payroll for 12 months (starting March 2019)
 - Add 1099 employees (only for non-service related 1099's)
 - Caution – do not include any amount above \$100,000 for an individual
 - Divide by 12 – to get the average monthly payroll
 - Multiply total average monthly payroll by 250% (2.5)
 - That is the amount of the loan you can apply for under the CARES Act.

What documentation will I need? **(Your lender may require more)**

- Application needs to be fully completed and signed by the appropriate people
- Documentation will likely need to be submitted electronically
- Payroll verification
 - Quarterly Form 941 (2019)
 - W2's for 2019
 - 1099's for 2019
 - Information for the months in 2020
 - From your payroll system
 - From your payroll provider
 - Copy of the check for your 1099's
 - Copy of your 2019 Federal Tax Return
 - If you have not completed your return bring your year-end income statement and year-end balance sheet



What steps do I need to take?

- Contact your bank
- If you do not have a bank, these may be able to help
 - [Review the attached list of SBA approved lenders](#)
 - [Lift Fund](#)
 - [TRU Fund](#)
- [Complete your application](#)
- Gather your documentation, printed set and electronic set

What's the urgency?

- The application process is scheduled to open April 3, 2020
- There is expected to be a HUGE response as a lot of small businesses qualify and are in need
- There is a limited amount of total funds
- There is a prediction that the funds will be fully utilized prior to the June 30, 2020, application deadline

What are the biggest unknowns?

- What documentation will be required by financial institutions?
- What form that documentation needs to be transmitted – paper and/or electronic?

What about the other loans I am hearing about?

- Applying for this loan will not impact your ability to apply for other loans
- You CANNOT use multiple loans for the same purpose
 - Example – to pay your payroll costs
 - Can only use one of the loans
 - Can use the other loans for other purposes
- I have applied for an Economic Injury Disaster Loan (EIDL)
 - This is not a problem
 - Do not use multiple loans for the same purpose
 - You will probably receive the PPP loan quicker
 - If you are approved for the PPP and then later are approved for the EIDL loan – YOU DO NOT HAVE TO TAKE THE EIDL LOAN EVEN IF YOU ARE APPROVED!

[Here is a PPP Information Sheet for Borrowers.](#) For more information, visit the [U.S. Small Business Administration](#).

Have a question? [Contact the Birmingham Business Alliance for a rapid response.](#)