

PAYCHECK PROTECTION PROGRAM FAQ

Courtesy of the Small Business Administration and the Office of Rep. Paul Mitchell (MI-10)

What types of businesses and entities are eligible for a PPP loan?

- Businesses and entities must have been in operation on February 15, 2020.
- Small business concerns, as well as any business concern, a 501(c)(3) nonprofit organization, a 501(c)(19) veterans organization, or Tribal business concern described in section 31(b)(2)(C) that has fewer than 500 employees.
- Individuals who operate a sole proprietorship or as an independent contractor and eligible self-employed individuals.
- Any business concern that employs not more than 500 employees per physical location of the business concern and that is assigned a NAICS code beginning with 72, for which the affiliation rules are waived.
- Affiliation rules are also waived for any business concern operating as a franchise that is assigned a franchise identifier code by the Administration, and company that receives funding through a Small Business Investment Company

What can I use these loans for

- You should use the proceeds from these loans on your:
- Payroll costs, including benefits.
- Interest on mortgage obligations, incurred before February 15, 2020.
- Rent, under lease agreements in force before February 15, 2020.
- Utilities, for which service began before February 15, 2020.



What counts as 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.
- 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.

What are the loan terms, interest rate, and fees?

- For any amounts not forgiven, the maximum term is 10 years, the maximum interest rate is 4 percent, zero loan fees, zero prepayment fee (the SBA will establish application fees caps for lenders that charge).

Payroll costs of any employee compensation in excess of an annual salary of \$100,000 are excluded from PPP. Does that exclusion apply to all employee benefits of monetary value?

- No. The exclusion of compensation in excess of \$100,000 annually applies only to cash compensation, not to non-cash benefits.



Do PPP loans cover paid sick leave?

- Yes. PPP loans covers payroll costs, including costs for employee vacation, parental, family, medical, and sick leave. However, an employer cannot use the PPP and then also use the tax credits for qualified sick and family leave wages for which a credit is allowed under the CARES Act.

Where should I go to get a PPP loan from?

- All current SBA 7(a) lenders are eligible lenders for PPP. The Department of Treasury will also be in charge of authorizing new lenders, including nonbank lenders, to help meet the needs of small business owners.

I keep going to my bank, and they keep telling me they aren't offering the loans or the system is down. What should I do?

- Unfortunately, given the high demand for this product, and the newest of it, implementation has seen some delays and glitches. The SBA and local financial institutions are working around the clock to resolve this. Keep checking with financial institutions early and often.

