



Small Business
Development Centers

SBA
Coronavirus Loan Products
Compared
4/6/2020



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Purpose

PPP

Help cover short-term operating expenses

Provide an incentive for employers to retain their employees

EIDL

Working capital loans for business injury related to coronavirus crisis

Keep business in business



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Uses

PPP

Payroll Costs
(some restrictions)

Costs related to continuation of group healthcare
benefits

Interest payments on mortgage obligation (no
prepayment)

Rent

Utilities

Interest on any other debt obligations (incurred
before covered period)

EIDL

Fixed Expenses related to injury
caused by coronavirus crisis which
could include:

- Employee Salaries
- Paid sick/medical leave
- Insurance premiums
- Mortgage
- Rent
- Utilities

Terms

PPP

\$10M Maximum

1% Interest

2 year maturity

No prepayment penalties

Payments can be deferred 6 months

EDL

\$2M Maximum

3.75% for business
2.75% for non-profits

Up to 30 year maturity

No prepayment penalties

Payments can be deferred for 12 months



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Other Terms

PPP

No personal
guarantee required

No collateral
requirements

EIDL

Personal guarantee
for loans above
\$200,000

Collateral required
for loans over
\$25,000



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Eligibility

PPP

< 500 Employees

Sole proprietor

Independent contractor

Self-employed

501 (c) (3)

501 (c) (19)

31 (b)(2)(c)

EIDL

< 500 Employees

Sole Proprietor

Independent Contractor

Co-op <500 Emp.

ESOP < 500 Emp.

Agricultural co-op <500 Emp

Acquaculture enterprise

Nursery

501 (c), (d) or (e)

31 (b)(2)(c)



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Forgiveness

PPP

Loan forgiveness
up to 8 weeks of
payroll, based on
employee
retention and
salary levels

EIDL

Has option for up
to \$10,000
advance which is
forgivable

How to Apply

PPP

Apply directly
through SBA
approved lender

EIDL

Apply online at
[https://covid19relief.
sba.gov/#/](https://covid19relief.sba.gov/#/)



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In Conclusion...

- You can apply for both loans but can not use them for the same expense (no double dipping)
- Gather documentation
- Make sure your books are up-to-date



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	SBA Economic Injury Loan	Paycheck Protection Program
Description	“To keep business in business”	Help small businesses cover near term expenses and keep employees working
Eligible businesses	Small business with fewer than 500 employees, non profits	Small businesses with fewer than 500 employees , 501c3, 501c19 or tribal business
Maximum loan amount	Up to \$2M	Up to \$10M
Terms	3.75% (2.75% NFP), up to 30 years	0.5%, up to 2 years
Administered by	SBA	SBA approved lenders
Allowable uses of funds	Employee salaries, paid sick/medical leave, insurance premiums, mortgage, rent and utilities payments.	Payroll costs, health care benefits, salaries, commission, interest on mortgage, rent and utilities payments, interest on other debt obligations
Available loan forgiveness	Forgiveness on \$10,000 advance	Loan forgiveness of up to 8 weeks of payroll based on employee retention and salary levels
Prepayment penalties	None	None
Deferred payment timeline	Up to 12 months	6-12 months



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Ohio

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SBA

Paycheck Protection Program Loans

4/6/2020

Ohio

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Paycheck Protection Program

Provides funding to:

1. Help small business cover their near-term operating expenses
2. Provide a strong incentive for employers to retain their employees

Other features:

- Loan forgiveness of up to 8 weeks of payroll based on employee retention and salary levels
- No SBA fees
- At least six months of deferral. (Interest will still accrue)



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PPP Eligibility

- Small business concerns with fewer than 500 employees
- 501(c)(3) nonprofit organizations
- 501(c)(19) veterans organizations
- Tribal business concerns described in section 31(b)(2)(C)
- Individuals who operate a sole proprietorship or as an independent contractor/eligible self-employed individuals
- Many Franchises will qualify - see <https://www.sba.gov/sites/default/files/2020-03/FrnchsTbl-03312020-UPLOAD.pdf>



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PPP Loan Uses

- Payroll costs (with some restrictions)
- Costs related to the continuation of group health care benefits including the insurance premiums
- Payments of **interest** on any mortgage obligation (does not include any prepayment of or payment of principal on a mortgage obligation)
- Rent (including rent under a lease agreement)
- Utilities
- Interest on any other debt obligations that were incurred before the covered period (Feb 15, 2020)

Terms

- \$10M maximum loan amount
- 1% interest
- 2 year maturity
- Administered by SBA Lender banks or other Federally approved lender
- No prepayment penalties
- Payments can be deferred up to 6 months
- Forgiven debt will not be taxable



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How Is the Loan Size Determined

- Maximum loan = 250 % of average monthly payroll costs for 2019, excluding wages/salaries over \$100,000 on an annualized basis for each employee.
- If you are a seasonal business you can elect to use average monthly payroll between February 15, 2019 – June 30, 2019 for calculations.
- New businesses should use January 1, 2020 to February 29, 2020 for calculations, excluding wages/salaries over \$100,000 on an annualized basis for each employee.



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Eligible Payroll Costs

- Compensation (salary, wage, commission, payment of cash tip or equivalent)
- Payment for vacation, parental, family, medical, or sick leave
- Allowance for dismissal or separation
- Payment required for the provisions of group health care benefits, including insurance premiums
- Payment of any retirement benefit
- Payment of state or local tax assessed on the compensation of employees

Ineligible Payroll Costs

- Employee/owner compensation over \$100,000
- Taxes imposed or withheld under chapters 21(FICA), 22 (Railroad Retirement Tax), and 24 (income tax withholding) of the IRS code
- Compensation of employees whose principal place of residence is outside of the U.S.
- Qualified sick and family leave for which a credit is allowed under sections 7001 and 7003 of the *Families First Coronavirus Response Act*

Application Documentation Needed

Registered entities:

- You must submit such documentation such as payroll processor records, payroll tax filings for 2019
 - Documentation showing how much, you, the employer paid in employee group health insurance premiums for the past 12 months. Your insurance company should be able to provide this.
 - Documentation showing the amount of retirement plan funding the employer made for employees over the past 12 months
 - Profit sharing 401(k) plans
 - Cash balance plans
 - SIMPLE and
 - SEP IRAs
- *** Employees' own 401(k) salary deferrals won't count for these purposes).

Application Documentation Needed (cont.)

Sole Proprietor, independent contractors:

- Form 1099- MISC, or income and expenses from a sole proprietorship.

For borrowers that do not have any such documentation, the borrower must provide other supporting documentation, such as bank records, sufficient to demonstrate the qualifying payroll amount.



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Forgiveness

75% Rule

- At least 75% of the PPP loan proceeds must be used for payroll costs.
- The borrower will have to document the proceeds used for payroll costs in order to determine the amount of forgiveness.

Forgiveness Process

You must apply through your lender for forgiveness on your loan. In this application, you will need to include:

- Documentation verifying the number of employees on payroll and pay rates, including IRS payroll tax filings and State income, payroll and unemployment insurance filings.
- Documentation verifying payments on covered mortgage obligations, lease obligations, and utilities.
- Certification from a representative of your business or organization that is authorized to certify that the documentation provided is true and that the amount that is being forgiven was used in accordance with the program's guidelines for use.



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FAQs

What If I Have Already Laid Off Employees or Cut Pay?

- If you have already laid off workers, you have until June 30, 2020 to restore full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.

What is considered payroll for sole proprietors/independent contractors?

- Wages, commission, income or net earnings from self-employment

Are 1099 contractors pay included in calculations?

- No, independent contractors can apply themselves



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Questions?

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