YOU have been approved for the PPP

NOW WHAT???????
The Paycheck Protection Program (PPP)

Loan made through banks for SBA

Includes full-time, part-time and any other status employee

Based on average total monthly payroll costs incurred during the one-year period before the date of the loan

Could receive up to 2.5 times the average monthly payroll costs subject to a $10 million limitation.

Coverage period 2/15/20 – 6/30/20
NOT included in the calculation:

1. Individual employee compensation over $100,000
2. Payroll and income taxes
3. Compensation for an employee with a principal place of residence outside the US
4. Qualified sick leave or family leave wages for which a business will receive a credit under the Families First Coronavirus Response Act
USE of PROCEEDS

QUALIFIED PAYROLL COST - MUST account for a minimum 75% of loan funds

1. Payroll cost, including benefits

OTHER QUALIFIED USES OF FUNDS – MUST NOT account for more than 25% of loan funds

1. Interest payments on any mortgage obligations, incurred before February 15, 2020

2. Rent, under lease agreement in force before February 15, 2020

3. Utilities, for which service began before February 15, 2020

4. Interest payments on any other debt obligations that were incurred before February 15, 2020
What COUNTS as payroll costs?

1. Salary, wages, commission, or tips (capped at $100,000 on an annualized basis for each employee)

2. Employee benefits including costs for vacation, parental, family, medical, or sick leave; Payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit

3. 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. Maximum is $15,385 per individual for 8 weeks.
Thoughts on meeting Payroll Requirements

1. Use ALL funds on payroll
2. Convert 1099 Contractors to employees
3. DON’T pay any single employee (including yourself) more than $3,846.15 per 2 week pay period – be aware that any amount over an annualized $100,000 per year will not count toward forgiveness
STAFFING Requirements

MUST maintain the number of employees on your payroll
Loan Forgiveness WILL be REDUCED IF.....

1. You decrease your full-time employee headcount

2. You decrease salaries and wages by more than 25% for any employee that made less than $100,000 annualized in 2019

Re-hiring: You have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020. REMEMBER that this is based upon average employment for the 8-week period.
Forgiveness for Self Employed

1. You ARE entitled to replace lost compensation due to COVID-19

2. Limited to 8 weeks worth of your 2019 net profit will be eligible for forgiveness. This is true for most sole proprietors.

   IF you received 2.5 times monthly payroll cost and have qualifying overhead expenses that qualify for forgiveness, the 75% payroll and 25% other qualified expenses will apply.
Record Keeping & Required Documents for Forgiveness

Documents verifying the number of full-time equivalent employees on payroll and their pay rates, the periods used to verify you met the staffing and pay requirements.

- Payroll reports from your payroll provider
- Payroll tax filing (Form 941)
- Income, payroll, and unemployment insurance filings for your state
- Documents verifying any retirement and health insurance contributions

Documents verifying your eligible interest, rent, and utility payments (cancelled checks, payment receipts, account statements).

*Your lender may require more
Record Keeping & Required Documents for Forgiveness

FOR a Sole Proprietor

8 weeks of documented pay and/or self-disbursements based on calculated net profit.

*Your lender may require more
THINGS to NOTE

1. No prepayment on rent or mortgage

2. Utilities such as electricity, gas, water, transportation, phone and internet access for services that began before February 15, 2020;

3. The 8-week period for payroll forgiveness begins on the date the lender makes the first disbursement of the PPP loan to the borrower.
We would love to help!

The Navarro SBDC is a no-cost consultation service that covers Ellis, Navarro, Freestone and Limestone Counties.

Call 903-872-8105 or email today to schedule an appointment! We have offices in Corsicana, Waxahachie, Fairfield and Mexia.

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