

CARES Act Frequently Asked Questions

April 24, 2020

The CARES Act Frequently Asked Questions is provided for informational purposes to our business partners, is general in nature and should not be construed as advice applicable to any particular individual, entity or situation. We encourage you to seek specific financial, accounting, legal, and/or tax advice from a qualified professional before acting with regard to the subjects mentioned herein.

1. How do I apply for the Paycheck Protection Program (“PPP”) and what should I do if my bank is currently not accepting the PPP applicants?

The general guidance is that you should apply to the bank you have a relationship with as they will know about your financial situation the best. All PPP loans are provided by approved SBA lenders. The list of approved SBA lenders is provided in the links to the other presentation materials. Since all loans will ultimately be processed by the SBA, applying to multiple lenders would not be suggested.

2. How can I combine funding from the Economic Injury Disaster Loan (“EIDL”) and the PPP?

Borrowers may apply for PPP loans and other SBA financial assistance, including Economic Injury Disaster Loans (EIDLs); however, these loans may not be used for the same purpose. Additionally, if a borrower obtains an EIDL loan, the amount of PPP loan available may be subject to some reductions (e.g., if the entity took advantage of an EIDL grant award of \$10,000, that amount would be subtracted from the amount forgiven under the PPP).

3. When should I expect to receive the \$10,000 grant from the EIDL?

For guidance on timing, please check directly with the SBA. Eligible entities that applied for an EIDL loan due to COVID-19 can request an ADVANCE on that loan, of not more than \$10,000, which the SBA must distribute within 3 days. The advance does not need to be repaid under any circumstance (even if application is denied), and may be used to keep employees on payroll, to pay for sick leave, meet increased production costs due to supply chain disruptions, or pay business obligations, including debts, rent, and mortgage payments. Receiving FULL loan amounts will take an unknown amount of time due to resource constraints at the SBA; unprecedented applications for EIDL and PPP assistance; etc.

4. Which types of businesses should apply for funding from the PPP?

The PPP was created to assist small businesses that were in existence or starting up in the time COVID-19 hit. The primary purpose was to help these businesses retain employees. Eligible entities include: U.S. domiciled businesses, sole proprietorships, independent contractors, and eligible self-employed individuals, nonprofits, Tribal business concerns, or veterans' organizations. Eligible businesses will generally have less than 500 employees whose principal place of residence is the United States (note this distinction is subject to change as the SBA issues additional guidance). There are additional exceptions for businesses meeting revenue-based size standard established by the Administration for the industry in which the business concern, nonprofit organization, veteran's organization, or Tribal business concern operates; and/or if the business has a NAICS code beginning with "72." The eligible expense period ends on June 30th. As of right, the window for forgiveness would close on or around that date.

SBA loans are only available for U.S. businesses. Foreign ownership is permitted, but the business must be based in the U.S.

5. How much funding is available for PPP and EIDL applicants?

On April 24, an additional \$310 billion has been funded to PPP, \$50 billion to the EIDLs and \$10 billion to the EIDL grant program. Businesses should continue to submit applications to approved lenders. Businesses may also consider funding under the Main Street Lending Program.

6. What should I do if I cannot pay my rent for this month?

The PPP guidance gives little information in terms of rent. Borrowers should be cautious of how funds are spent, as loan money under PPP must be used at least 75% on payroll costs to be eligible for forgiveness.

7. Do self-employment and independent contractor expenses qualify as payroll for the PPP?

[The Interim Final Rule issued by the SBA](#) states that payroll costs "consist of compensation to employees (whose principal place of residence is the United States) in the form of salary, wages, commissions, or similar compensation; cash tips or the equivalent (based on employer records of past tips or, in the absence of such records, a reasonable, good-faith employer estimate of such tips); payment for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement; payment of

state and local taxes assessed on compensation of employees; and for an independent contractor or sole proprietor, wage, commissions, income, or net earnings from self-employment or similar compensation."

The Interim Final Rule also asks the FAQ "Do independent contractors count as employees for purposes of PPP loan calculations?" and provides the answer, "No, independent contractors have the ability to apply for a PPP loan on their own so they do not count for purposes of a borrower's PPP loan calculation."

8. What kinds of expenses cannot be paid with the PPP funds? What are the requirements for the PPP loan forgiveness?

[The PPP Fact Sheet for Borrowers](#) states that borrowers should use the proceeds from PPP loans on their: Payroll costs, including benefits; Interest on mortgage obligations, incurred before February 15, 2020; Rent, under lease agreements in force before February 15, 2020; and Utilities, for which service began before February 15, 2020." The initial Interim Final Rule indicates that "[A]t least 75 percent of the PPP loan proceeds shall be used for payroll costs." The SBA has also issued guidance that, due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.

9. Can I defer payroll taxes if I receive other benefits from the CARES act?

According to the IRS, Employers who have received a PPP loan, but whose loan has not yet been forgiven, may defer deposit and payment of the employer's share of social security tax that otherwise would be required to be made beginning on March 27, 2020, through the date the lender issues a decision to forgive the loan in accordance with the CARES Act, without incurring failure to deposit and failure to pay penalties. Once an employer receives a decision from its lender that its PPP loan is forgiven, the employer is no longer eligible to defer deposit and payment of the employer's share of social security tax due after that date. However, the amount of the deposit and payment of the employer's share of social security tax that was deferred through the date that the PPP loan is forgiven continues to be deferred and will be due in the same manner as other payments eligible for deferral.

For more information, see [IRS guidance](#).

10. How long does it take to receive funding from the PPP?

Per [SBA guidance](#), the lender must make the first disbursement of the loan no later than ten calendar days from the date of loan approval. Approval time varies for each lender.