Dear Client,

With all the new legislation released in the last few weeks concerning COVID-19, below are a few items that must be addressed Friday April 3rd to ensure you have a chance to benefit from the most recent CARES Act small business incentives.

Under the Paycheck Protection Program portion of the CARES Act, Paycheck Protection Loans (PPL) are available to small businesses with 500 or fewer employees. The loan is potentially 100% forgivable and thus can be viewed like a potentially tax-free grant. The PPL is important to consider now because banks will begin processing the loan applications on a first-come, first-serve basis on April 3rd, until the $349 billion runs out.

Should your business request a PPL?

If you are expecting short term cash flow needs, then this loan might be right for you. This loan is intended to help your business cover your payroll so that you don’t have to lay off or furlough any of your employees, while your business may have a short-term revenue or cashflow shortage. Generally, you are limited in the amount you can borrow based on prior year payroll amounts and the funds received can be used for payroll and vital operating expenses. [Here is a good](https://www.uschamber.com/sites/default/files/023595_comm_corona_virus_smallbiz_loan_final.pdf) [summary of what is included](https://www.uschamber.com/sites/default/files/023595_comm_corona_virus_smallbiz_loan_final.pdf).

What is the maximum loan amount? $10 million or 2 ½ times average monthly payroll costs over the prior year.

Any other considerations related to the PPL? In order for full loan forgiveness, you should maintain total employee headcount and compensation levels must not decrease more than 25% (for workers making less than $100k per year). If you lay off employees or reduce wages below 25%, your loan forgiveness will be reduced.

If you have already laid off some employees, any workforce reductions between 2/15/20 and 4/26/20 will not be considered in the calculation and you may still be forgiven for the full amount of payroll cost if your entire workforce is back in place by June 30, 2020.

How do I get a PPL? Though the PPL is an SBA loan, you must go through your bank to apply. Each bank has slightly different requirements about what documentation is required and how to fill out the application, so contact your bank asap. At minimum, you will need to calculate your payroll costs per the above link, since this is the maximum amount the bank can approve.

What if I am an independent contractor? Independent contractors are also eligible for a PPL as well. They can start applying for loans starting April 10th. The maximum amount of the loan for an independent contractor is related to the revenue reported to them on Form 1099-MISC verses the wages for employees.

What if I anticipate a longer recovery for my business or layoffs that won’t be rehired? With longer term layoffs, your employees may be better off on unemployment. Further the Economic Injury Disaster Loan (EIDL) program is available to all small businesses and is a more traditional longer-term loan. During the loan process, a business can also request a $10,000 cash grant that can be received in as little as

3 days. [Here is a tutorial of how to apply](https://vimeopro.com/user11779390/covid-19-grant), since this is not done through your bank (like the PPL) but directly with the SBA.

Are there other cash flow options? As part of the CARES Act, businesses can defer paying their 6.2% of Social Security tax on wages. [See summary here](https://aldrichadvisors.com/tax/cares-act-business-impact/). If a company gets a PPL, certain payroll credits and deferrals may not be available. Many local governments also have various incentives or grants. Going to your local Chamber of Commerce’s website is the best place to find these resources.

Our best to you in this difficult time.