

# WHAT YOU SHOULD KNOW ABOUT THE CARES ACT

An Economic Relief Plan for Individuals and Businesses  
that was Signed Into Law on March 27, 2020



The Coronavirus Aid, Relief, and Economic Security (CARES) Act allocated \$350 billion to help small businesses keep workers employed amid the pandemic and economic downturn. Known as the **Paycheck Protection Program (PPP)**, the initiative provides 100% federally guaranteed loans to small businesses.

Importantly, a portion of these loans may be forgiven if borrowers maintain their payrolls during the crisis or restore their payrolls afterward.

The administration soon will release more details including the list of lenders offering loans under the program.

## COMMONLY ASKED QUESTIONS

### 1 ELIGIBILITY

- \* 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.
- \* April 3: Small Businesses and Sole Proprietorships
- \* April 10: Independent Contractors and Self-Employed Individuals

### 2 LENDER REQUIREMENTS

Lenders will also ask you for a good faith certification that:

1. The uncertainty of current economic conditions makes the loan request necessary to support ongoing operations
2. The borrower will use the loan proceeds to retain workers and maintain payroll or make mortgage, lease, and utility payments

## COMMONLY ASKED QUESTIONS

### 3 LOAN SIZE DETERMINATION

Depending on your business's situation, the loan size will be calculated in different ways. The maximum loan size is the smaller of \$10 million OR 250 percent of your average monthly payroll costs over the last year. Your loan size is also decreased by the amount of EIDL outstanding.

### 4 PAYROLL ELIGIBLE COSTS

- \* Compensation (salary, wage, commission, or similar compensation, 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

### 5 NON-ELIGIBLE PAYROLL COSTS

- \* Employee/owner compensation over \$100,000
  - \* Taxes imposed or withheld under chapters 21, 22, and 24 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
- Depending on your business's situation, the loan size will be calculated in different ways (see below). The maximum loan size is always \$10 million.

### 6 LOAN TERM, INTEREST RATES, 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 (SBA will establish application fees caps for lenders that charge).

## COMMONLY ASKED QUESTIONS

### 7 FORGIVENESS AMOUNT CALCULATION

8 weeks payroll costs (excluding compensation over \$100,000 per employee). Payroll costs plus any payment of interest on any covered mortgage obligation (not including any prepayment or payment of principal on a covered mortgage obligation) plus any payment on any covered rent obligation plus and any covered utility payment.

### 8 FORGIVENESS OF PPP LOAN

You must apply through your lender for forgiveness on your loan. In this application, you must include verification of qualified expenses and number of employees.

### 9 AFTER FORGIVENESS PERIOD

Any loan amounts not forgiven are carried forward as an ongoing loan with max terms of 10 years, at a maximum interest rate of 4%. Principal and interest will continue to be deferred, for a total of 6 months to a year after disbursement of the loan.

**If you need additional assistance, please reach out to the staff at Christianson. We are ready to help.**

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