



BAINBRIDGE & DECATUR COUNTY

Paycheck Protection Program (A Simple Guide)

What is the Paycheck Protection Program?

The Paycheck Protection Program (PPP) is part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. This is a nearly \$350-billion program intended to provide American small businesses with eight weeks of cash-flow assistance through 100 percent federally guaranteed loans. You can read the bill in its entirety [here](#).

Program highlights

- There is no cost to apply.
- The funding is meant to help retain workers, maintain payroll, and cover rent/mortgage/utility expenses.
- The loan covers expenses dating back to February 15, to June 30 2020
- The loan can be forgiven and essentially turn into a non-taxable grant.
- Terms and interest for this loan are **2 years, 0.5 % fixed interest with the first 6 months of payments deferred.**
- No Collateral is required, no personal guarantee.

Do I qualify for the program?

If you have less than 500 employees, likely yes! This program is more extensive than the SBA disaster loan. Small businesses, sole proprietorships, independent contractors, and self-employed individuals can all qualify.

- **Sole proprietorships** will need to submit schedules from their tax return filed (or to be filed) showing income and expenses from the sole proprietorship.
- **Non-profits, Veterans Organizations**
- **Independent contractors** will need to submit Form 1099-MISC.
- **Self-employed individuals** will need to submit payroll tax filings reported to the Internal Revenue Service.

How does this differ from the SBA Economic Injury Disaster Loan?

The SBA also offers an Economic Injury Disaster Loan (EIDL)—often shortened to just SBA disaster loan. This loan can not be applied for through your local lender, you must visit the SBA’s website to apply. It is a 30-year loan with 2-3% interest. The PPP is a separate, but similar, initiative. Here’s how they differ:

- **No personal or business collateral is required for PPP.** The **SBA disaster loan** may require collateral for loan amounts over \$25,000.
- **It’s ok if you also have access to credit elsewhere for PPP.** To receive a SBA disaster loan you generally need to have no other source of credit.
- **The funding covers a more restrictive set of purposes (details below) for the PPP.** The SBA disaster loan can cover most operating expenses.
- **Your PPP loan can be forgiven if you follow the terms.** The SBA disaster loan requires repayment.

<https://www.sba.gov/funding-programs/disaster-assistance>

How is this similar to the SBA disaster loan?

- You need to declare (in good faith) that the uncertainty of current economic conditions makes the loan necessary for your business.
- It’s free to apply.
- You have an extended deferment period (6-12 months, depending on your lender) before you begin repayment.
- There is no prepayment penalty.

Can I apply for paycheck protection *and* an SBA disaster loan?

Yes, you can. However, you can’t apply for an SBA disaster loan *for the same purpose* as the Paycheck Protection Program. That being said, when you apply for the SBA disaster loan, you can also request a \$10,000 emergency grant, interest-free. If approved, the SBA will provide the grant within three days. You can apply for the loan and grant [here](#).

What can I use the funds for?

You must acknowledge that the funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments, and utility payments. Funds you use for other purposes will not be eligible for forgiveness.

The funds can be used for:

- Payroll and commission payments
- Group health care benefits/insurance premiums
- Mortgage interest payments

- Rent and lease payments
- Utilities
- Interest on any other debt obligations that were incurred before the covered period.

How much funding can I receive?

The maximum amount you can receive from your SBA-approved lender is your monthly payroll cost times 2.5, but no more than \$10 million.

If you are a seasonal employer, the monthly average cost will be calculated differently. The SBA will use a 12-week period beginning either February 15, 2019 or March 1, 2019, and ending June 30, 2019.

If your business did not exist before June 30, 2019, the SBA will look at your costs in January and February 2020.

How do I apply?

The SBA itself doesn't lend you the money, they "back" the loan that the lender provides. You can apply for the Paycheck Protection Program through any SBA-approved lender.

Local lenders to Bainbridge, GA:

- Bank OZK- 248-3800
- First Port City Bank – 246-6200
- First National Bank – 246-3131
- First State Bank of Bainbridge – 246-9710
- Southwest Georgia Farm Credit – 246-8032
- PeoplesSouth Bank – 243-1996
- Family Bank – 246-7039

[See Application Here.](#)

Additional Documentation to Gather:

- Articles of Incorporation / Organization of borrower
- By Laws / Operation Agreement of borrower
- All Owners Driver's License

Payroll Expense Verification to include:

- IRS form 940 and 941
- Payroll Summary Report
- Year end 12/31/19 financial statement (used for eligibility purposes)
- Year end 12/31/19 debt schedule (for calculation of interest)
- Summary of lease payment (real estate)

When Can I Apply?

Starting April 3, 2020 small business and sole proprietorships can apply. Starting April 10, 2020 independent contractors and self-employed individuals can apply. Move quickly on this as there is a funding cap.

How can I get my loan forgiven?

In the 8 weeks following your loan signing date, all expenses related to the following can be forgiven:

- **Payroll**—salary, wage, vacation, parental, family, medical, or sick leave, health benefits
- **Mortgage interest**—as long as the mortgage was signed before February 15, 2020
- **Rent**—as long as the lease agreement was in effect before February 15, 2020
- **Utilities**—as long as service began before February 15, 2020

When submitting your application for loan forgiveness, you must provide the following documentation (no exceptions):

- (1) documentation verifying the number of full-time equivalent employees on payroll and pay rates for the periods described in subsection (d), including:
 - (A) payroll tax filings reported to the IRS
 - State income, payroll, and unemployment insurance filings
- (2) documentation to prove your mortgage, lease, or utility payments
 - Cancelled checks
 - Payment receipts
 - Account statements
- (3) a certification from a representative of the eligible recipient authorized to make such certifications that:
 - (A) the documentation presented is true and correct; and
 - (B) the amount for which forgiveness is requested was used to retain employees, make interest payments on a covered mortgage obligation, make payments on a covered rent obligation, or make covered utility payments; and

- (4) any other documentation the Administrator determines necessary.

How much of my loan will be forgiven?

The purpose of the Paycheck Protection Program is to protect paychecks. You must commit to maintaining an average monthly number of full-time equivalent employees equal or above the average monthly number of full-time equivalent employees during the previous 1-year period.

You will owe money when your loan is due if you use the loan amount for anything other than payroll costs, mortgage interest, rent, and utilities payments over the 8 weeks after getting the loan. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.

You will also owe money if you do not maintain staff and payroll.

- Number of Staff: You loan forgiveness will be reduced if you decrease your full-time employee headcount.
- Level of Payout: You loan forgiveness will be reduced if 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 15th, 2020 and April 26th, 2020.

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