The Coronavirus Aid, Relief, and Economic Security (CARES) Act allocated $660 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, these PPP loans may be forgiven if borrowers maintain their payrolls during the crisis or restore their payrolls afterward.

**Update:** Congress recently extended the PPP application deadline to May 31st.

The administration's PPP program guidelines can be found at [www.treasury.gov](http://www.treasury.gov), and the U.S. Small Business Administration's search tool to find a bank that offers PPP loans can be found at [https://www.sba.gov/funding-programs/loans/lender-match](https://www.sba.gov/funding-programs/loans/lender-match).

The U.S. Chamber of Commerce has issued this step-by-step guide to help small businesses and self-employed individuals check eligibility and prepare to apply for a loan. Here’s what you need to know.
Am I ELIGIBLE?

You are eligible to apply for a PPP loan if you are:

- A small business with 500 or fewer employees
- Defined as “small” by SBA Size Standard that allows for higher employee threshold or is revenue based; or
- A small business with maximum tangible net worth up to $15 million and the average net income for full 2 fiscal years prior to application does not exceed $5 million
- A 501(c)(3) with 500 or fewer employees
- A sole proprietor, independent contractor, or self-employed
- A Tribal business concern that meets the SBA size standard
- A 501(c)(19) Veterans Organization that meets the SBA size standard

In addition, some special rules may make you eligible:

- If you are in the accommodation and food services sector (NAICS 72), the 500-employee rule is applied on a per physical location basis
- If you are operating as a franchise or receive financial assistance from an approved Small Business Investment Company the normal affiliation rules do not apply
- Small businesses that have minority shareholders (private equity or venture capital) can still qualify if those shareholders relinquish rights

What lenders will NOT LOOK FOR

- That the borrower sought and was unable to obtain credit elsewhere.
- A personal guarantee is not required for the loan.
- No collateral is required for the loan.

Prepared by the U.S. CHAMBER OF COMMERCE
How much can I BORROW?

Loans can be up to 2.5 x the borrower’s average monthly payroll costs, not to exceed $10 million.

How do I calculate my average monthly PAYROLL COSTS?

\[
\text{PAYROLL COSTS} = \text{sum of INCLUDED payroll costs} - \text{sum of EXCLUDED payroll costs}
\]

**INCLUDED** Payroll Cost:
1. **For Employers:** The sum of payments of any compensation with respect to employees that is a:
   - 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 for group health care and retirement benefits
   - payment of state or local tax assessed on the compensation of the employee

2. **For Sole Proprietors, Independent Contractors, and Self-Employed Individuals:** The gross income (Line 7 of Form 1040 Schedule C) not more than $100,000 in one year.

**EXCLUDED** Payroll Cost:
1. Compensation of an individual employee in excess of an annual salary of $100,000 (note: employer contributions to healthcare and retirement benefits are not part of amount deemed in excess of $100,000 annual salary)
2. Employer portion of payroll taxes
3. Any compensation of an employee whose principal place of residence is outside of the United States
4. Qualified sick leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act (Public Law 116–5127); or qualified family leave wages for which a credit is allowed under section 7003 of the Families First Coronavirus Response Act
Will this loan be FORGIVEN?
Borrowers are eligible to have their loans forgiven.

How Much?
A borrower is eligible for loan forgiveness equal to the amount the borrower spent on the following items during the 8-week period (or 24-week period for loans issued after June 5th) beginning on the date of the origination of the loan:

- Payroll costs (using the same definition of payroll costs used to determine loan eligibility)
- Interest on the mortgage obligation incurred in the ordinary course of business
- Rent and utility payments
- Interest on other debt obligations incurred before February 15, 2020

NOTE: Not more than 40% of the forgiven amount may be for non-payroll costs.

How could the forgiveness be reduced?
The amount of loan forgiveness calculated above is reduced if there is a reduction in the number of employees or a reduction of greater than 25% in wages paid to employees. Specifically:

Reduction based on reduction of number of employees

Payroll Cost Calculated on page 2 \( \times \) Average Number of Full-Time Equivalent Employees (FTEs) Per Month for the 8-Weeks Beginning on Loan Origination

Reduction based on reduction in salaries

Payroll Cost Calculated on page 2 \( - \) For any employee who did not earn during any pay period in 2019 wages at an annualized rate more than $100,000, the amount of any reduction in wages that is greater than 25% compared to their most recent full quarter.

What if I bring back employees or restore wages?
Reductions in employment or wages that occur between February 15, 2020 and April 26, 2020 (as compared to February 15, 2020) shall not reduce the amount of loan forgiveness IF by December 31, 2020 the borrower eliminates the reduction in employees or reduction in wages.

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Free FORGIVENESS CALCULATOR
The Association of International Certified Professional Accountants (AICPA) developed a PPP forgiveness calculator that can be found here.