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April 5, 2020

# Loans available for COVID-19 relief

## Economic Injury Disaster Loans (EIDLs)

Each disaster loan provides up to $2 million to pay fixed debts, payroll, accounts payable, and other bills. The interest rate is fixed at 3.75% for small businesses and 2.75% for non-profits. Repayment term can be stretched for over 30 years.

Small Business Administration (SBA) is providing advances of $10,000 on EIDLs for businesses experiencing a temporary loss of revenue. Funds are available within three days after applying and it does not have to be repaid.

Small businesses can apply using this link –

https://covid19relief.sba.gov/#/

## New Paycheck Protection Program (PPP)

### Who is Eligible?

Small businesses that employ 500 or fewer employees, that was in operation as of February 15, 2020 and that had either (a) employees for whom salaries and payroll taxes were paid or (b) that had 1099-Misc independent contractors (see independent contractor note below). Additionally, the definition of small business includes sole proprietors, independent contractors, 501(c)(3) nonprofits, 501(c)(19) veterans organizations, or tribal businesses.

### How much loan is available?

Maximum loan amount is equal to 250% of average monthly payroll costs incurred during the one year period before the loan is taken, up to $10 million.

If your monthly payroll average is $10,000, loan amount can be $25,000 ($10,000*250%).

### Definition of “Payroll Costs

- Employee salaries, wages, commissions, or “similar compensation”, up to a per-worker ceiling of $100,000 per year;
- Cash tips or the equivalent;
- Payment for vacations and parental, family, medical, or sick leave;
- Allowance for dismissal or separation;
- Payment for group health benefits, including insurance premiums;
- Payment of any retirement benefit; or
- State or local tax assessed on employee compensation.

## What’s not included as payroll costs

- Annual compensation over $100,000 to any one employee;
- Compensation for employees who lives outside of the U.S.;
- Sick leave or family leave for which credit has already been provided under the Families First Coronavirus Response Act.

## Personal Guarantee

PPP forgivable loans do not require personal guarantees or collateral.

## Formula to calculate how much of the loan is forgiven

Principal amounts used for payroll, mortgage interest, rent and utility payments during an eight-week period (starting with the loan origination date) between February 15, 2020 and June 30, 2020 will be forgiven. Not more than 25% of the forgiven amount may be for non-payroll costs. Any remaining PPP amount not forgiven will be due over a term of 2 years at an interest rate of 1%. If the full principal is forgiven, businesses are not liable for the interest accrued over that eight-week period and the forgiven amount is not subject to Cancellation of Debt income.

## What affects loan forgiveness

Since the program was developed to keep workers employed at their current level of pay, the loan forgiveness amount will be decreased if the employees are laid off or their hours are reduced.

If employees have already been laid off, they can be hired back by June 30, 2020 or their hours can be set back to original hours by this date in order to be eligible for this program.

## Independent Contractors

Currently, the SBA guidance conflicts with CARES Act.

Under the CARES Act, “payroll” includes independent contractors. However, under the “interim final rule” issued by the SBA, amounts paid to independent contractors do not count for PPA payroll because independent contractors can apply for their own PPP loans. Hence, independent contractors do not count for PPP loan forgiveness.

Under the current SBA rule, if John operates a sole proprietorship that pays 15 people on a 1099, John gets no money to continue paying the 15 people. However, the 15 people (independent contractors) can obtain their own PPP loans. They may even have employees of their own.

Independent contractors can pay themselves under this program. However, double dipping is not allowed. They cannot get both PPP and unemployment insurance. They will need to choose between one.

## Already applied for an EDIL

You can refinance the EIDL into the PPP loan but cannot double dip and use the loans for the same purposes.

## How to apply for PPP

Contact your bank now to see if they are accepting applications for this loan. Applications have opened since April 3, 2020.