



Coronavirus Aid, Relief, and Economic Security (CARES) Act¹ **About The Paycheck Protection Program**

SUMMARY: The *CARES Act* creates a *Paycheck Protection Program (PPP)* for small employers, self-employed individuals, and “gig economy” workers. PPP provides 24 weeks of cash-flow assistance through 100% federally guaranteed loans to small employers who maintain their payroll during this emergency. If the employer maintains payroll, the portion of the loans used for covered payroll costs, interest on mortgage obligations, rent, and utilities can be forgiven. This proposal is retroactive to February 15, 2020. The *CARES Act* provided \$350 billion to mitigate challenges caused by the COVID-19 pandemic. On April 23, 2020, Congress approved an additional \$310 billion for the *PPP* and an additional \$60 billion for the Economic Disaster Injury Loan (EIDL).

APPLYING: You can apply for the *PPP* through any lending institution approved to participate in the program through the existing Small Business Administration (SBA) 7(a) lending program, and additional lenders approved by the Department of Treasury. You can call your bank or find SBA-approved lenders in your area through SBA’s online [Lender Match](#) tool. You can call your local [Small Business Development Center](#) or [Women’s Business Center](#) and they will provide free assistance.

QUALIFICATIONS: Small business that employ 500 employees or fewer are eligible, or businesses in an industry that has an [employee-based size standard](#) through SBA that is higher than 500 employees. In addition, if you are a restaurant, hotel, or a business that falls within the North American Industry Classification System (NAICS) code 72, “Accommodation and Food Services,” and each of your locations has 500 employees or fewer, you are eligible. Tribal businesses, 501(c)(19) veteran organizations, and 501(c)(3) nonprofits, including religious organizations, are eligible. Nonprofit organizations are subject to [SBA’s affiliation standards](#).

I AM AN INDEPENDENT CONTRACTOR OR GIG ECONOMY WORKER, AM I ELIGIBLE? Yes. Sole proprietors, independent contractors, gig economy workers, and the self-employed are eligible.

LOANS: The amount any small business is eligible to borrow is 250% of their average monthly payroll expenses, up to a total of \$10 million. This amount is intended to cover 24 weeks of payroll expenses and any additional amounts for making payments towards debt obligations. This 24 week period may be applied to any time frame between February 15, 2020 and December 31, 2020. Seasonal business expenses will be measured using a 12-week period beginning February 15, 2019, or March 1, 2019, whichever the seasonal employer chooses.

WHEN IS THE LOAN FORGIVEN? The loan is forgiven at the end of the 24-week period after you take out the loan. Borrowers will work with lenders to verify covered expenses and proper amount of forgiveness.

WHAT IS THE COVERED PERIOD OF THE LOAN? The covered period during which expenses can be forgiven extends from February 15, 2020 to December 31, 2020. Borrowers can choose which 24 weeks they

¹ [H.R.748](#), the *Coronavirus Aid, Relief, and Economic Security (CARES) Act* (Public Law No. 116-136) was approved unanimously by the Senate on March 25, 2020, then by the House of Representatives on March 27, 2020, and signed into law by President Trump on March 27, 2020.



want to count towards the covered period, which can start as early as February 15, 2020.

HOW MUCH OF MY LOAN WILL BE FORGIVEN? The purpose of the *Program* is to help you retain your employees, at their current base pay. If you keep all of your employees, the entirety of the loan will be forgiven. If you still lay off employees, the forgiveness will be reduced by the percent decrease in the number of employees. If your total payroll expenses on workers making less than \$100,000 annually decreases by more than 25%, loan forgiveness will be reduced by the same amount. If you have already laid off some employees, you can still be forgiven for the full amount of your payroll cost if you rehire your employees by June 30, 2020.

AM I RESPONSIBLE FOR INTEREST? No. If the full principal of the loan is forgiven, the borrower is not responsible for the interest accrued in the 24-week covered period. The remainder of the loan that is not forgiven will operate according to the loan terms agreed upon by you and the lender.

DOES THE PROGRAM COVER ANY COMPENSATION FOR THOSE MAKING OVER \$100K? The *CARES Act* intends to cover payroll costs up to \$100,000. For example, an employer would be able to use \$100,000 of the \$125,000 salary for the calculation of the loan amount and subsequent forgiveness.

WHAT ARE THE INTEREST RATE AND TERMS FOR THE LOAN AMOUNT THAT IS NOT FORGIVEN? The terms of the loan not forgiven may differ on a case-by-case basis. However, the maximum terms of the loan feature a 10-year term with interest capped at 4% and a 100% loan guarantee by the SBA. You will not have to pay any fees on the loan, and collateral requirements and personal guarantees are waived. Loan payments will be deferred for at least six months and up to one year starting at the origination of the loan.

WHEN IS THE DEADLINE FOR PPP? Applications are good through December 31, 2020.

IS THERE A REVENUE LIMITATION? No.

I TOOK OUT A BRIDGE LOAN THROUGH MY STATE, AM I ELIGIBLE TO APPLY? Yes.

IF I HAVE APPLIED FOR, OR RECEIVED AN EIDL RELATED TO COVID19 BEFORE THE PROGRAM BECAME AVAILABLE, WILL I BE ABLE TO REFINANCE INTO A PROGRAM LOAN?

Yes. If you received an EIDL related to COVID-19 between January 31, 2020 and the date at which the *Paycheck Protection Program* becomes available, you would be able to refinance the EIDL into the *Program* for loan forgiveness purposes. However, you may not take out an EIDL and a *Program* for the same purposes. Remaining portions of the EIDL, for purposes other than those laid out in loan forgiveness terms for a *Program* loan, would remain a loan. If you took advantage of an emergency EIDL grant award of up to \$10,000, that amount would be subtracted from the amount forgiven under the *Program*.

ADDITIONAL RESOURCES: SBA's Interim Final Rule on the *Paycheck Protection Program* is available at: https://www.sba.gov/sites/default/files/2020-04/PPP--IFRN%20FINAL_0.pdf. Additional program guidance is also available at the U.S. Department of the Treasury at: <https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>.

This document was prepared as an informational resource and should not be considered legal or business counsel. Please reach out to CoronavirusHelp@braun.senate.gov for questions, concerns, or additional assistance. Last updated June 8, 2020.