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Paycheck Protection Plan Fact Sheet and Q&A

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President Trump signed the *Coronavirus Aid, Relief, and Economic Security Act (CARES)*, also known as the Phase III Stimulus bill, on March 27. This document provides information pertaining to the Paycheck Protection Plan provisions of the act.

Stay connected to AIM for ongoing updates of federal and state legislative action that may alter or supplement these programs. Go to www.aimnet.org to sign up for our blog updates.

Where Should I Start?

For speed of access to lines of credit and relief, the US Small Business Administration (SBA) is advising employers to talk to their current banking lenders, an approved SBA 7(a) lender, or any participating federally insured depository institution, federally insured credit union, or Farm Credit institution. Here is a [list of banking or financial institutions check here](#) or contact bmacdougall@aimnet.org or 617-262-1180.

Does AIM Have an Overview of Options?

Click here for [AIM's recorded webinar](#) or [slides](#) for a moderated presentation by SBA experts on how your business could qualify for an Economic Injury Disaster Loan, an SBA Express Loan or Paycheck Protection Act loans.

What are the key points for the [Paycheck Protection Plan](#) and application information?

The Paycheck Protection Program (PPP) loan program is designed to provide a direct incentive for small businesses to keep workers on the payroll. Loans are up to \$10 million, with a 0.5 percent interest rate and a two-year maturity. There are no payments for the first six months.

Loans will be fully forgiven when used for payroll costs, interest on mortgages, rent, and utilities. At least 75 percent of the forgiven amount must have been used for payroll. No collateral or personal guarantees are required. Neither the government nor lenders will charge small businesses any fees.

- **Who may apply?** Businesses, most non-profits, veterans organizations, tribal concerns, sole proprietorships, self-employed individuals, and independent contractors, with 500 or fewer employees.
- **When may I apply?** The Paycheck Protection Program became available on Friday, April 3. Applications must be submitted by June 30, 2020.

- **How do I apply?** You may apply for the Paycheck Protection Program through any existing SBA 7(a) lender or through any participating federally insured depository institution, federally insured credit union, or Farm Credit institution. Ask your local lender if it is participating in the program.
- **What else should I know?** The SBA will forgive loans if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities. The program will be available retroactive from February 15, 2020, so employers can rehire their recently laid-off employees through June 30, 2020.

Where do I download an application?

- [PPP FAQ](#)
- [Paycheck Protection Program – Interim Final Rule](#)
- [For a top-line overview of the program CLICK HERE](#)
- [If you're a lender, more information can be found HERE](#)
- [If you're a borrower, more information can be found HERE](#)
- [PPP Borrower Application Form \(Updated 4/2/20\)](#)
- [PPP Lender Application Form](#)
- [PPP New Lender Application Form \(Federally Insured Depository Institutions, Federally Insured Credit Unions, Farm Credit System Institutions\)](#)
- [Paycheck Protection Program – Interim Final Rule](#)
- [Find an eligible lender](#)

How do I calculate this for payroll?

According to the Instructions for the Paycheck Protection Program Borrower Application Form:

For purposes of calculating “Average Monthly Payroll,” most applicants will use the average monthly payroll for 2019, excluding costs more than \$100,000 on an annualized basis for each employee. For seasonal businesses, the applicant may elect to instead use average monthly payroll for the time period between February 15, 2019 and June 30, 2019, excluding costs more than \$100,000 on an annualized basis for each employee. For new businesses, average monthly payroll may be calculated using the time period from January 1, 2020 to February 29, 2020, excluding costs over \$100,000 on an annualized basis for each employee.

How much of my loan will be forgiven?

Borrowers will have their loans forgiven if they use the money for designated expenses, which could include payroll with no more than \$100,000 annual salary per employee including benefits, paid sick leave and insurance premiums, plus taxes on compensation. Up to 25 percent of the loan may be used by the business to cover mortgage interest, rent, utilities and interest on pre-existing loans.

Participants are eligible for loan forgiveness for the amounts spent over the eight weeks after receiving the loan. The amount of forgiveness is equal to the total amount of payments for payroll, mortgage interest, rent and utilities. To get the entire amount of the loan forgiven, the full-time employee headcount may not decline, nor may employers cut salaries or wages.

The SBA will use a sliding scale to reduce the amount eligible for forgiveness depending on how many employees are retained. If businesses rehire laid-off workers by June 30, they won't be penalized. Another provision of the program allows borrowers who already have disaster assistance loans to defer payments through Dec. 31. This is an automatic deferment. Borrowers don't have to do anything to qualify for it.

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

- Number of Staff: Your loan forgiveness will be reduced if you decrease your full-time employee headcount.
- Level of Payroll: Your loan forgiveness will also be reduced if you decrease salaries and wages by more than 25 percent for any employee who 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.

Keys points for borrowers:

- The earliest any bank accepted an application was April 3.
- 0.5 percent is the interest rate.
- Six months of deferred payments.
- Two-year loan.
- Loan forgiveness has the same categories but 75 percent of the funds must be spent on payroll.
- Payroll costs are capped at \$100,000 per employee for forgiveness.

How do I get more information?

- [US Chamber - Summary](#) and [Guide and Checklist](#)
- [Client Alert by Sullivan](#)
- Client Alert for venture backed firms - [Read the full article](#)

Who can I call at AIM?

AIM members may contact Brad MacDougall, Senior Vice President for Government Affairs at 617-262-1180 or bmacdougall@aimnet.org. To learn more about AIM contact membership@aimnet.org or learn more [about AIM here](#).