



U.S. Small Business
Administration

SBA Disaster Relief

- Paycheck Protection Program
- SBA Debt Relief
- Economic Injury Disaster Loan and Advance
- Additional Resources Available

SBA COVID-19 Loan Status

- **EIDL/EIDL advance loans already submitted are being processed**
- **EIDL portal is not currently open**
- **The Paycheck Protection Program has re-opened as of 9:30 am 4/27.**
- **Approvals in Wisconsin:**
 - PPP loans as of 4/16: 43,395 loans/\$8.3 billion
 - PPP nationally: 74% of loans \$150,000 or less and across all industries
 - EIDL loans approved in WI as of 4/24: 339/\$71,675,400
 - EIDL Advance (forgiven) in WI of 4/24: 14,277/\$63,432,000

Paycheck Protection Program and Health Care Enhancement Act

What is it? What should borrowers know?

- Paycheck Protection Program is a Small Business Interruption Loan (“Loan”) created under the CARES Act to provide a direct incentive for small businesses to keep their workers on payroll
- Administered by the SBA and through your local lender
- Apply early– first come, first served
- Limited amount of funds available (\$310 billion 2nd round, includes \$60 billion for smaller community lenders and CDFI’s)
- To the extent loan proceeds are used for qualified expenses, the loan is forgiven
- Track expenditures to allow for forgiveness
- Failure to have proper documentation may result in limitation on forgiveness



Paycheck Protection Program

- **Who is Eligible:**

- Employers with 500 or fewer employees or more if they meet SBA employee-based or revenue-based size standards corresponding to primary industry or both tests of SBA's alternative size standard
- 501(c)(3) entities with fewer than 500 employees
- Independent contractors
- Sole proprietors
- Self-employed
- Tribal businesses meeting SBA size standards
- 501(c)(19) Veterans organizations meeting size standards

Paycheck Protection Program

- **Eligibility (cont.)**

- SBA affiliation rules still apply for employers unless employer's industry is classified as one that begins with 72 under the NAICS (food service and accommodations), in which case 500 employee limitation is per location
- Also waived for franchise operators
- Full-time, part-time and other status employees all count as employees for purposes of the Paycheck Protection Program
- Faith-based organizations
- **Resource links--**
- Department of Treasury: <https://home.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses>
- SBA: www.sba.gov/ppp

Paycheck Protection Program

- Loan Terms:
 - Term – 2 years
 - Payments deferred for six (6) months
 - Interest – 1.0% per annum
 - Principal – maximum \$10 million per borrower
- No Collateral, no borrower fees, no credit elsewhere tests
- Principal forgiven if proceeds are used for “qualifying expenses”
 - Qualifying Expenses: Payroll costs, rent, mortgage interest and utilities
 - Payroll costs include all payroll costs including insurance premiums, wages, vacation pay, sick pay
 - At least 75% must be used for payroll expenses for forgiveness
 - qualified leave wages and qualified sick leave wages paid under the Families First Coronavirus Response Act are not payroll costs.

Paycheck Protection Program

- **Loan Amount:**

- 2.5x the borrower's average aggregate monthly payroll costs, using data from previous 12 months or from calendar year 2019
 - Seasonal businesses may use period between February 15, 2019 (or March 1, 2019) and June 30, 2019
 - If not in business from February 15, 2019 to June 30, 2019, may use period from January 1, 2020 and February 29, 2020
 - Qualified sick leave wages and qualified leave wages are **not** included in calculating payroll costs for purposes of the eligible loan amount (and not eligible as payroll costs for purposes of receiving loan forgiveness).
- Payroll costs are limited to the first \$100,000 in cash compensation earned by any employee, not to include non-cash benefits
- Non-cash benefits include employer contributions to defined-benefit or defined-contribution retirement plans, payment for employee benefits consisting of group health care coverage (including premiums) and payment of state and local taxes assessed on compensation

Sole Proprietors and 1099 independent contractor- Max loan amount calculation

- <https://www.sba.gov/sites/default/files/2020-04/Interim-Final-Rule-Additional-Eligibility-Criteria-and-Requirements-for-Certain-Pledges-of-Loans.pdf>
- For those w/self-employment income filing 1040, Schedule C:
 - In operation February 15, 2020; live in U.S.; filed or will file 1099 Schedule C for 2019; not a partnership.
- p.6, no employees
 1. Find or complete 2019 schedule C line 31 net profit amount. If amount is zero or less, not eligible.
 2. Calculate monthly profit (divide by 12).
 3. Multiply average monthly net profit by 2.5.
 4. Add amount of any EIDL received 1/31-4/3/2020 that you seek to refinance, less any advance.
 5. Must provide schedule C, 1099-MISC; invoice, bank statement or book of record to establish self employment; and same to show you were in business on or around February 15, 2020.

Sole Proprietors and 1099 independent contractor- Max loan amount calculation

- <https://www.sba.gov/sites/default/files/2020-04/Interim-Final-Rule-Additional-Eligibility-Criteria-and-Requirements-for-Certain-Pledges-of-Loans.pdf>
- For those w/self-employment income filing 1040, Schedule C:
 - In operation February 15, 2020; live in U.S.; filed or will file 1099 Schedule C for 2019; not a partnership.
- p.7, with employees
 1. Find or complete 2019 schedule C line 31 net profit amount. If amount is zero or less, not eligible.
 2. IRS form 941: gross wages & tips paid from each quarter; pre-tax employee contributions for insurance or other benefits excluded from taxable Medicare wages & tips; subtract any amounts paid to employees over \$100K & and payments to employees outside US.
 3. 2019 employer ins contributions (Form 1040 schedule C, line 14), retirement contributions (line 19); and state/local taxes assessed on employee compensation.
 4. Calculate monthly amount (divide by 12).
 5. Multiply average monthly from step 2 by 2.5.
 6. Add amount of any EIDL received 1/31-4/3/2020 that you seek to refinance, less any advance.
 7. Must provide schedule C, 1099-MISC; invoice, bank statement or book of record to establish self employment; and same to show you were in business on or around February 15, 2020.

Maximum Loan Amount Calculations Now Available for Other Eligible Business Types

- <https://home.treasury.gov/system/files/136/How-to-Calculate-Loan-Amounts.pdf>
- Self-employed farmers
- Partnerships
- S corporations
- C corporations
- Nonprofit organizations
- eligible nonprofit religious institutions
- Veterans' organizations
- Tribal businesses

Maximum Loan Amount Calculations Now Available for Other Eligible Business Types-Other Documentation

- <https://home.treasury.gov/system/files/136/How-to-Calculate-Loan-Amounts.pdf>
- Question: What other documentation can be provided for the purpose of substantiating the applied-for PPP loan amount?
- Answer: IRS Form W-2s and IRS Form W-3 or payroll processor reports, including quarterly and annual tax reports, can be used in place of IRS Form 941.
- Additionally, very small businesses that file an annual IRS Form 944 instead of quarterly IRS Form 941 should rely on and provide IRS Form 944.
- Similarly, records from a retirement administrator can be used to document employer retirement contributions while records from a health insurance company or third-party administrator for a self-insured plan can document employer health insurance contributions.

PPP-Guidance for Seasonal Employers issued April 27

- <https://home.treasury.gov/system/files/136/Interim-Final-Rule-on-Additional-Criterion-for-Seasonal-Employers.pdf>

Paycheck Protection Program

- **Forgiveness amount may be reduced:**
 - If employee headcount is reduced:
 - $(\text{Payroll costs} \times \text{avg. number of FTE per month during 8 week period}) / (\text{Avg. number of FTE per month from 2/15/19-6/30/19})$
 - If salaries are reduced:
 - Payroll costs – the amount of reduction in wages for employees making \$100K or less that is greater than 25% compared to most recent quarter
 - Employees making > \$100K may have wages reduced by any amount
 - If headcount reduction that occurs between 2/15/20 and 4/26/20 or payroll reduction is eliminated by 6/30/2020, full forgiveness is available

Paycheck Protection Program

- **Forgiveness Terms:**

- Must use loan proceeds for the following expenses during the 8-week period commencing on the first disbursement date of the loan:
 - Payroll costs
 - Rent
 - Mortgage interest and
 - Utilities
- SBA advising that not more than 25% of the loan proceeds can be used for non-payroll costs

Paycheck Protection Program

Treatment of Forgiveness

- Any amount of debt forgiven which would otherwise be included in gross income as cancellation of indebtedness income (“COD”) is excluded from gross income under the Program.
- Still have to pay interest
- No prepayment penalty
- If a borrower gets the EIDL and advance w/forgiveness and then the PPP, they must refinance the EIDL into the PPP, then the PPP forgiveness is reduced by the amount of the EIDL forgiveness (which is up to \$10,000)

Paycheck Protection Program

How to Apply

- Check with your current bank or credit union to see if they are participating
- If not, you can find a lender near you: www.sba.gov/ppp, search on the lender portal using your zip code.
- Wisconsin lenders are listed [here](#)
- FinTech's participating
- Application is on the SBA website, or some lenders have their own portals or forms
- What you'll need:
 - Non-profits: info for at least one director, probably the Executive Director
 - Sole proprietors: schedule C's
 - Independent contractors-form 1099's or bank records to prove income
 - For-profit: Form 941

Paycheck Protection Program

- **What should lenders know?**

- Loans are fully guaranteed by SBA
- No guaranty fees
- **Need to verify borrower's operations and monthly payroll costs**
- Loans may be sold on secondary market
- Processing fees available based on loan balance at time of final disbursement
- Agent fees available paid out of lender fees
- Not required to make independent determination regarding applicability of affiliation rules
- **May accept signatures on application from a single individual authorized to sign on behalf of borrower**
- May use their own online portals and an electronic form they establish to collect application information and certifications (using same SBA language)
- If borrower is existing customer and necessary information previously provided, don't have to re-verify for FinCEN rule customer due diligence purposes
- May rely on the laws, rules and guidance available at time of application and if submitted and not processed may revise application based on new guidance

Paycheck Protection Program

Submit Your Application As Soon As Possible

- Application open until 6/30/2020
- First Come, First Serve basis
- Apply through local lender
- PPP Lender find

<https://www.sba.gov/paycheckprotection/finder>

- www.sba.gov/disaster for more information

SBA Debt Relief

• **Do You Have an Existing SBA Loan?**

- The SBA will automatically pay the principal, interest, and fees of **current 7(a), 504, and microloans** for a period of six months
- The SBA will also automatically pay the principal, interest, and fees of **new 7(a), 504, and microloans** issued prior to September 27, 2020
- For current SBA Serviced Disaster (Home and Business) Loans: If your disaster loan was in “regular servicing” status on March 1, 2020, the SBA is providing automatic deferments through **December 31, 2020**.

Economic Injury Disaster Loan

About the Economic Injury Disaster Loan

- The Economic Injury Disaster Loan is a working capital loans at a low-interest federal loan
- It may be used to pay fixed debts, payroll, accounts payable and other bills
- Applicants apply directly to SBA's Disaster Assistance Program at DisasterLoan.sba.gov
- There is no cost to apply

Loan Approval Criteria

- Applicants must have a credit history acceptable to SBA
- SBA must determine that the applicant business has the ability to repay the SBA loan
- The applicant business must be physically located in a declared county and suffered working capital losses due to the declared disaster, not due to a downturn in the economy or other reasons

Loan Information

- The interest rates for this disaster are 3.75% for small businesses and 2.75% for nonprofit organizations with terms up to 30 years determined on a case-by-case basis
- Eligibility is based on the size and type of business and its financial resources
- 12 Month payment deferral on EIDL loan; interest accrues

SBA EIDL Advance

Advance will be for **up to** \$10,000:

- The form to apply is part of the economic injury disaster loan (EIDL) application.
- If approved, these funds can be used for payroll and other operating expenses and will be forgiven.
- Advance is \$1,000 per employee.



Can You Apply for More than One Program?

Yes, but proceeds can't be used for the same expenses



SBA Partner Disaster Loan Help

All locations are working remotely. Contact by phone or email.

ORGANIZATION	LOCATIONS	PHONE	EMAIL/WEBSITE
SBA	Milwaukee Madison	414-297-3941 608-441-5263	Wisconsin@sba.gov
SBDC Network	13 offices statewide	Answerline 800-940-7232	Find local contacts & loan assistance https://business.wisconsin.edu/about/covid-19/
WI Women's Business Initiative Corp.	Milwaukee, Madison, Racine, Kenosha, Appleton, Green Bay, La Crosse		info@wwbic.com www.wwbic.com En Espanol: Lily Alvarado, Lily.alvarado@wwbic.com
Western WI Women's Business Center	Independence, Eau Claire- Karman Briggs		karman.briggs@wdeoc.org www.successfulbusiness.org
SCORE Find mentors https://www.score.org/coronavirus-sba-loans	Milwaukee Madison Marshfield Eau Claire Fox Cities (Appleton) Green Bay	414-297-3942 715-834-1573 920-222-2167	Score.28@scorevolunteer.org Counseling.28@scorevolunteer.org madison.Score@scorevolunteer.org ch.admin0535@scorevolunteer.org score.foxcities@scorevolunteer.org greenbayscore@gmail.com
Veterans Business Outreach Center	Statewide – Makeba Butler	414-395-4566 SBA Wisconsin District Office	wwbic.com/veterans vboc@wwbic.com

Get COVID19 Updates from Wisconsin SBA

E-news signup—www.sba.gov/updates—email and zip code, or **text SBA** to **GOV311** to get there

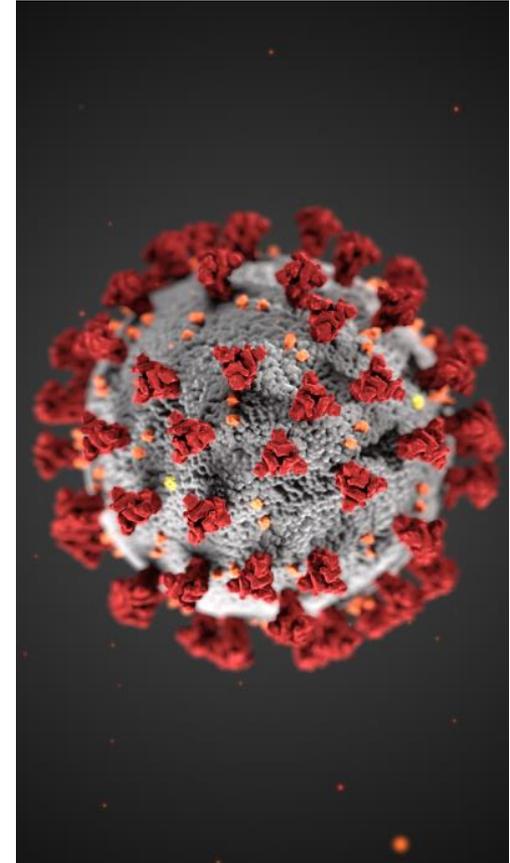
Twitter: @SBA_Wisconsin –fast information sharing from our office and SBA HQ as well as partners and other agencies—multiple daily updates.

- Facebook: U.S. Small Business Administration
- Instagram: @SBAgov
- LinkedIn: U.S. Small Business Administration

**Find the latest Wisconsin updates anytime:
(bookmark this page)**

<https://www.sba.gov/offices/district/wi/milwaukee/updates>

www.sba.gov/coronavirus



Any Questions?



More information concerning
SBA and its programs
visit our website at:
www.sba.gov/coronavirus