
Coronavirus Aid Relief and Economic Security (CARES) Act - **Paycheck Protection Program**
DRAFT SUMMARY – SUBJECT TO REVISION UPON FINAL BILL LANGUAGE

The Coronavirus Aid, Relief, and Economic Security (CARES) Act includes a critical provision aimed at keeping workers employed and small businesses afloat. The “Paycheck Protection Program” expands on the Small Business Administration’s existing 7(a) program. But, it is different in two key ways:

- The loans are made directly by private, local banks and CDFIs, which will enhance speed
- The loans, if used on payroll and other operating expenses, are forgivable

Who is eligible for this program?

Businesses, self-employed individuals, and 501(c)(3)s that were in operation on February 15, and were paying salaries and payroll taxes for their employees are eligible, as long as they have less than 500 employees (number may be higher for select industries where SBA definition of “small” is higher).

What is the maximum loan amount?

The loan amount is calculated using the average total monthly payments for payroll costs (e.g. salaries, wages, vacation/sick/medical leave, tips, commissions, group health care benefits, and retirement) over the last 12 months. That monthly average is multiplied by 2.5 to determine the maximum loan amount. (Basically, the maximum is 2 ½ months gross payroll.) The loan amount is capped at \$10 million per business.

What expenses can I pay for with the loan?

Eligible expenses are payroll (incl. paid sick, medical/family leave, and group health care benefits); salaries/commissions; mortgage payments; rent; utilities; and any other debt obligations incurred before the loan was taken out.

What portion of the loan is forgivable?

Forgiveness of the loan is allowed for the following expenses over an 8-week period: payroll and benefit costs, rent, utilities, and interest on existing debt. For salaries above \$100,000, expenses above that cap are not eligible for forgiveness. If you have already laid-off workers, then the forgiveness will be proportionally reduced (e.g., if you laid-off 25% of your workers, the forgiveness would only be 75%). However, workers that are rehired can remediate this penalty.

What information do I need to get started and find a private lender for my loan?

Most banks and credit unions will be able to process these loans. Applicants should submit to their lenders documentation verifying the number of full-time employees and their rate of pay as well as:

- Payroll tax filings reported to the IRS
- State income, payroll, and unemployment insurance filings
- Financial statements verifying payment on debt obligations incurred before the covered period; and any other documentation deemed necessary.

Please note, the Paycheck Protection Program is different from the SBA Economic Injury Disaster Loan program, which is administered directly through the Small Business Administration.

For more information or questions, see gnoinc.org/coronavirus or email VP Policy Ileana Ledet at iledet@gnoinc.org.