

Review and analysis of certain portions of the U.S. Senate's Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

Full text from <https://www.politico.com/f/?id=00000171-149c-da0d-a17b-fedf132f0000> on 3/26/2020

Paycheck Protection Program

Title I Sec. 1102 (page 9 of linked doc)

The **Paycheck Protection Program** is a portion of the CARES Act which provides certain small businesses with forgivable loans to keep employees on payroll and cover other eligible business costs. You can apply for loans under this program with any SBA approved lender who provides 7(a) loans. The loans will be forgiven if certain criteria are met, as outlined below.

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Payroll Costs Defined

Payroll costs include

- Salary, wage, commission
- Cash tips or equivalent
- Payment for vacation, parental, family, medical, or sick leave
- Allowance for dismissal or separation
- Payment required for the provisions of group health care benefits including insurance premium
- Payment of retirement benefit
- Payment of state or local tax assessed on the compensation of employees
- the sum of payments of any compensation to or income of a sole proprietor or independent contractor that is a wage, commission, income, net earnings from self-employment, or similar compensation and that is in an amount that is not more than \$100,000 in 1 year, as prorated for the covered period

DOES NOT INCLUDE

- compensation of individual employees in excess of \$100,000 annual salary prorated for the covered period
- IRS taxes withheld/imposed
- Compensation for employees whose principal residence is outside the US
- Qualified sick leave covered under section 7001 of the Families First Coronavirus Response Act
- Qualified family leave covered under section 7003 of the same

Business Entity Eligibility

Eligible Entities

- Companies defined by SBA as Small Business Concerns
- Any business concern, nonprofit organization, veteran's organization, or Tribal business concern if they employ fewer than 500 employees or the size standard in numbers of employees established by the SBA for the industry in which the entity operates
- **IN GENERAL**, Sole Proprietors, independent contractors, and eligible self-employed individuals
 - Refer to documentation required in paragraph II on page 15
- Business concerns with more than 1 physical location with no more than 500 employees per physical location and a NAICS code beginning with 72
- Further eligibility for self-employed and affiliate businesses (franchise, etc.) are available on page 16 of the linked document

Maximum Loan Amount

The Maximum Loan Amount is typically equal to the average total monthly payments for payroll costs incurred during the 1-year period before the loan is made times 2.5. Check with your banker or attorney for more specific details.

Allowable uses for Forgivable Loans

- Payroll Costs
- Healthcare group policies including premium payments during periods of paid leave
- Employee salaries, commissions, etc.
- Payment of interest on mortgage obligations for the business
- Rent
- Utilities
- Interest on any other debt obligations that were incurred before the covered period

Application for Forgiveness

Your 7(a) lender will have more information on a forthcoming Application for Forgiveness in which you will demonstrate the loaned funds were used for the specific purposes outlined above.