INTERNATIONAL SURFACE FABRICATORS ASSOCIATION

Paycheck Protection Program Loans Overview

The Coronavirus Aid, Relief, and Economic Security (CARES) Act created the Paycheck Protection Program (PPP) loans for small businesses to cover short term payroll and other expenses. The Small Business Administration (SBA) has drafted rule on the PPP loans that take a very strict interpretation of the CARES Act. To help members understand PPP loan program, ISFA has provide basic information on the loans below:

Qualifications

- The business has fewer than 500 employees.
- The count may include employees of affiliate or related companies.
- Must have been in operation on February 15, 2020 and paid employees or independent contractors
    - Cannot get a loan if:
      Delinquent or had defaulted on a SBA loan in last 7 years;
    - Are a household employee (nannies or housekeepers);
    - Is or has been convicted of a felony in last 5 years; or
    - Is currently incarcerated, on probation, on parole or subject to a criminal. indictment,

Basic Terms

- The term of the loan is 2 years.
- Interest rate on the loans is 1% (100 basis points).
- Repayment on the loan is deferred for 6 months.
- Interest begins accruing immediately.
- No upfront fee payable to the SBA by the borrower.
- No personal guarantee or collateral required on these loans.
- No lender's annual service fee.
- No recoupment fee if loan paid off early.

Amount of the Loan

The maximum amount of the loans is calculated as follows:

- The loan amount is the average monthly payroll costs for the12 months prior to the loan multiplied by 2.5,

PLUS

- Any outstanding amount of an Economic Injury Disaster Loan (EIDL) made between January 31, 2020 and April 3, 2020.

MINUS

- Any "advance" under an EIDL COVID-19 loan (because it does not have to be repaid).

Payroll Costs

- Payroll cost include:
  - Compensation to employees (salary, wages, commissions, or similar compensation);
  - Cash tips or the equivalent up to $100,000 for any employee;
  - Payment for vacation, parental, family, medical, or sick leave;
  - Allowance for separation or dismissal;
  - Payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement; and
  - Payment of state and local taxes assessed on compensation of employees
- Payroll cost exclude:
  - Payments to independent contractors, sole proprietors, self-employed (contractor who receive a 1099);
  - Payments to employees residing outside of U.S.;
  - Compensation over $100,000 to any individual employee;
  - Federal taxes imposed or withheld between February 15, 2020 and June 30, 2020, including the employee's and employer's share of FICA (Federal Insurance Contributions Act) and income taxes required to be withheld from employees; and
  - Any sick and family leave paid for which a credit is allowed under the Families First Coronavirus Response Act

Independent Contractors

- Independent contractor, sole proprietor, self-employed that were operating on February 15, 2020 can apply for a PPP loan.
- They must have paid salaries and taxes.
- Loan amount based on wage, commissions, income, or net earnings or similar compensation.

What PPP Loan Can Be Used For

The proceeds of a PPP loan are to be used for:

- Payroll costs (see above.);
- Costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums;

- Mortgage interest payments (but not mortgage prepayments or principal payments);
- Rent payments;
- Utility payments;
- Interest payments on any other debt obligations that were incurred before February 15, 2020; and
- Possible refinancing on an SBA EIDL loan made between January 31, 2020 and April 3, 2020.

PPP Loan and an EIDL

- If you received an SBA EIDL loan from January 31, 2020 through April 3, 2020, you can also apply for a PPP loan.
- If your EIDL loan was not used for payroll costs, it does not affect your eligibility for a PPP loan.
- If your EIDL loan was used for payroll costs, your PPP loan must be used to refinance your EIDL loan.
- Proceeds from any advance up to $10,000 on the EIDL loan will be deducted from the loan forgiveness amount on the PPP loan.

Loan Forgiveness

100% of a PPP loan can be forgiven. The amount forgiven is based on the following:

- The loan must all be used for the allowable expenses as described above (payroll, rent, utilities, mortgage and business loan interest).
- No more than 25% of loan forgiveness can be for non-payroll costs, with at least 75% used for payroll costs
- Compensation levels are maintained.
- The costs must be documented:
  - Payroll processor records;
  - Payroll tax filings, or Form 1099- MISC, or income and expenses from a sole proprietorship;
  - Bank records, sufficient to demonstrate the qualifying payroll amount;
  - Checks; and
  - Other documents showing money spent on allowable expenses.

Application

- All PPP loans must be made on or before June 30, 2020.
- Applicants must submit SBA Form 2483 and payroll documentation.
- Lenders have to submit SBA Form 2484 and supplementing documentation.
- The applications can be electronically submitted and signed.
- Loans will be fulfilled on a first come first served basis.

Applicants Certification

Applicant must submit a certification attesting that:

- Applicant was in operation on 2/15/2020 and had employees for whom it paid salaries and payroll taxes or paid independent contractors;
- Economic conditions make the loan necessary;
- Funds will be used to maintain payroll or make other authorized payments;
- Documentation verifying number of FTE on payroll as well as dollar amounts of payroll costs and other covered costs;
- Between February 15, 2020 and December 31, 2020, the applicant has not and will not receive another PPP loan; and
- The information provided with the application is true and accurate under the penalty of perjury.

SBA Rules on the PPP Loans- Updated 4-6-20

The Small Business Administration (SBA) has drafted rules on the Paycheck Protection Program (PPP) loans that were created in the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The draft rules take a very strict interpretation of the CARES Act provisions regarding PPP loans and the forgiveness of those loans.

Most significantly, the SBA's rules exclude payments to independent contractors from a business's payroll costs in calculating the loan amount. The CARES Act provides that the payroll cost is defined as the "sum of" a list of costs "and" the "sum of payments of any compensation to or income of a sole proprietor or independent contractor." The draft of the SBA regulations, however, states that independent contractors "do not count for purposes of a borrower's PPP loan calculation." While it can be argued the SBA is incorrect based on the wording of the Act, SBA will be administering the loans and it is recommended that its interpretation be followed until this issue can be resolved.

The SBA rules also limit how much of the loan can be forgiven. The CARES Act required that the amount forgiven could be reduced if the employer retained fewer employees than employed between February 25, 2019 and June 30, 2019 or, at the business's election January 1, 2020 to February 29, 2020. The SBA rules, however, provide that "not more than 25 percent of the loan forgiveness amount may be attributable to non- payroll costs.

Please note that SBA laws, rulings, and modifications are happening rapidly. ISFA is working to ensure we're providing the most up to date notifications as possible. Please note the date of this release is 4-6-20

We also thank our friends at the World Floor Covering Association for their assistance in gathering and reviewing the data shared.