

CARES Act: Payroll Protection Program

A TLH Mentor Network COVID Task Force Guidebook

tlhmentors.org

The information contained in this document is intended to be an overview and for general informational purposes only. It is not intended to be relied upon as accounting or legal advice, and we strongly encourage anyone applying for the Payroll Protection Program (or any other similar SBA or other programs) to directly contact and engage their own independent accountant(s) and legal advisor(s).

This is a collection of authoritative sources to help you find the information you need in one place. We will update it as we learn. We are in a fluid environment and this is our best knowledge at the moment. Please send feedback to incubator@domistation.org

SBA Coronavirus relief options

SBA [Coronavirus Relief Options](#) overview page. This links to all the main disaster assistance programs managed by the SBA. PPP is one of the options. Below are the other 3 options:

- [Economic Injury Disaster Loan Emergency Advance](#)
- [SBA Express Bridge Loans](#)
- [SBA Debt Relief](#)

Ernst & Young has a simple [flow-chart](#) that shows at a glance, the available options and how it is decided whether you can apply. Also from them, an [in-depth comparison](#) between the different programs. All these are part of their [COVID-19 resources site](#).

Divvy has a good overview of the CARES Act program: [How your small business can benefit from the CARES Act](#)

[Intuit® Aid Assist](#) is a free service that helps U.S.-based businesses, self-employed, contractors, freelancers, and gig workers understand different business relief programs. The service provides eligibility assessments and estimates of how much aid you are eligible to receive, and how much of the relief will be forgiven.

PPP Overview

Small Business Administration

[Paycheck Protection Program \(PPP\)](#) main information site.

[PPP Interim Final Rule](#) released on 4/2/2020 has good examples (including calculations) and explanations that may also be helpful.

Treasury

[PAYCHECK PROTECTION PROGRAM \(PPP\) INFORMATION SHEET](#)

[PAYCHECK PROTECTION PROGRAM LOANS - Frequently Asked Questions \(FAQs\)](#)

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Lenders

This program is provided through local lenders. The SBA has an [online tool to look for authorized banks](#). [This list](#) includes local banks/credit unions and the URLs where you can submit applications (last updated 4/8/2020). [This](#) is the full list updated by the SBA on April 23.

There are some national financial providers that are also taking loan applications:

- [Kabbage](#)
- [Fundbox](#)
- [Divvy](#)
- [Fundera](#)
- [Lendio](#)
- [Intuit](#) (for Intuit and Quickbooks payroll customers only)

How to apply

1. Contact your accountant right away as they might have done it before so that they get started gathering the required information.
2. Banks and credit unions typically will prioritize existing customers. Find out if your bank has been authorized by the SBA to process the PPP loans
 - a. Use our [list](#) or the [SBA finder](#)
 - b. Call your bank or credit union even if you don't find them on the list. This is moving very fast and things might have changed since the last time we checked.
3. Verify the documentation required (varies with each lender).
4. Calculate the amount you can ask for. This will depend on how you are legally structured. [Lendio has a good overview](#) of how to do the calculations and [Bench has a very thorough explanation for each business type](#) from 1099 freelancers to C-Corp. Bench also has a very good [discussion on the PPP for self-employed and 1099s](#).
IMPORTANT: check the recently issued [SBA PPP Interim Final Rule](#) which includes useful calculation examples.
5. Your lender/lending platform will require you to complete the [official application form](#) from the Treasury Department (that may be updated continuously). You should go ahead and review it to ensure you have all available information (but may be required to actually fill it out electronically online through your chosen lender's platform).

What you need to gather

The program aims for a streamlined application process with straightforward documentation requirements, especially if you are working with a bank with which you already have a relationship. Documentation varies by bank, but in general, the following are typical requirements. Some lenders may have their own/additional requirements, but the lists below should be a good start.

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I am a small business

- **Payroll records:** Tax Forms 940 and/or 941 from January 1, 2019, to the most current filing. Note: You will need to filter out any employees paid over \$100K.
- **Tax returns:** Gather your tax returns and financial statements for the last two years. If you haven't been in business that long, gather all the tax returns you have.
- **Copies of driver licenses:** You'll need to provide copies of driver licenses for business owners with ownership stakes of 20% or more.
- Proof of being operational by 2/15/2020 (like a payroll summary)
- Articles of organization

I am an independent contractor

- **Tax returns:** 2019 IRS Form 1099-MISC if you are an independent contractor or 2019 IRS Form 1040-C if your business is a sole proprietorship

I am a non-profit

- **Tax returns:** Most recent IRS 990 form

What expenses apply for loan forgiveness

The following should not be relied upon as accounting or legal advice in any way (and you should check with your own accountant and/or legal counsel). Generally speaking, In order to request loan forgiveness in the future, you'll need to carefully document qualifying expenses during the eight week period after you receive your SBA PPP loan. In summary, they can be used for:

- payroll costs (as defined in the CARES Act and Final Guidance);
- costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums;
- rent payments;
- utility payments;
- interest payments on any other debt obligations that were incurred before February 15, 2020; and/or
- refinancing an SBA EIDL loan with restrictions.

IMPORTANT NOTE: at least 75 percent of the PPP loan proceeds shall be used for payroll costs. The above guidelines were extracted from pages 15-16 of the [SBA PPP Interim Final Rule](#). We strongly encourage you to follow the guidance from the original documents and consult with your accountant and lender to ensure that you are collecting the required documentation to determine and support the correct amount in order to apply for forgiveness.