

Keeping Workers Paid and Employed Act

FAQs for Small Employers:

\$350 billion Paycheck Protection Program

What is the Paycheck Protection Program?

The purpose of the new Paycheck Protection Program (PPP) is to help keep American workers paid and employed. The PPP provides 100 percent federally guaranteed loans to small employers harmed by the COVID-19 crisis to help keep their employees paid and employed. These loans can be used to pay for certain payroll costs, mortgage interest, rent, utilities, and interest on any other debt obligation entered into before February 15, 2020. The portion of the loans used for eight-weeks of payroll costs and certain overhead expenses (mortgage interest, rent, and utility payments) will be forgiven.

Where can I apply for the Paycheck Protection Program?

You can apply at any lending institution that is approved to participate through the U.S. Small Business Administration (SBA) 7(a) lending program and additional lenders approved by the Department of Treasury. The list of approved lenders is growing daily and includes nearly 50 financial institutions located in Maine, including many community banks and credit unions. You can call your bank or credit union or find SBA-approved lenders in your area through SBA's online [Lender Match](#) tool. You can also call your local [Small Business Development Center](#) or [Women's Business Center](#), which provide free assistance and can help guide you to lenders.

Who is eligible for the loan?

You are eligible if you are a small employer with 500 employees or fewer or if you otherwise meet the current [SBA employee-based size standard](#) for your industry. In addition, if you are a restaurant, hotel, or a business that falls within [North American Industry Classification System code 72](#), "Accommodation and Food Services," and each of your locations has 500 employees or fewer, you are eligible. Small businesses, Tribal businesses, 501(c)(19) veteran organizations, and 501(c)(3) nonprofits are eligible for the program. However, nonprofit organizations are subject to SBA's [affiliation standards](#). Independently owned franchises with fewer than 500 employees, who are approved by SBA, are also eligible. (Eligible franchises can be found through SBA's Franchise Directory.) Businesses that receive funding through a Small Business Investment Company (SBIC) are also eligible.

I am an independent contractor or gig economy worker, am I eligible?

Yes. Sole proprietors, self-employed individuals, and independent contractors, including “gig economy” workers, are all eligible for the Paycheck Protection Program.

I am a non-profit, am I eligible?

501(c)(3) nonprofits are eligible for the program. However, nonprofit organizations are subject to SBA’s [affiliation standards](#).

What is the maximum amount I can borrow?

The maximum loan amount is 250 percent of a borrower’s average monthly payroll expenses (excluding compensation for an individual in excess of an annual rate of salary of \$100,000), up to a total of \$10 million. This amount is intended to cover eight weeks of payroll costs and can be used for other eligible expenses, including mortgage interest, rent, and utility payments. The eight-week period begins when the loan is taken out, and must end no later than June 30, 2020.

What is the covered period of the loan?

The covered period during which expenses can be forgiven extends from February 15, 2020, to June 30, 2020.

How much of my loan will be forgiven?

Payroll costs, as well as payments on mortgage interest, rent, and utility service agreements entered into before February 15, 2020, are eligible for forgiveness, with certain limitations. Payroll costs include employee salaries; hourly wages; cash tips; paid sick, medical, or family leave; group health insurance premiums; retirement benefits and state and local taxes assessed on employee compensation. However, compensation for an employee above an annual rate of pay of \$100,000 (prorated over the covered period) is not an eligible payroll cost. Further, if a loan recipient reduces the average number of FTE employees over the covered period, or if your total payroll expenses on workers making less than \$100,000 annually decreases by more than 25 percent, then the total amount of loan forgiveness the recipient may receive is reduced by a proportional amount. If employees laid off as early as February 15 are rehired and paid, their payroll costs can be included in the loan amounts and forgiven.

What if I am a seasonal business?

For the purpose of setting the maximum loan amount, seasonal employers may elect to measure their payroll costs using either a 12-week period beginning February 15, 2019, or the period

beginning March 1, 2019, and ending June 30, 2019. For purposes of determining employment levels for loan forgiveness amounts, seasonal employers will use the average monthly number of FTE employees beginning February 15, 2019, and ending June 30, 2019.

When is the loan forgiven?

Consistent with the parameters outlined above, loan amounts used by the employer to pay workers and keep them employed, along with allowable mortgage-interest, rent and utilities payments are forgiven. Borrowers must certify that they have used the funds for these purposes and provide supporting documentation to lenders to establish the proper amount of forgiveness.

What are the interest rates on the loan, and what will my payments be?

Interest rates on the loan cannot exceed 4%. No payments are required on amounts forgiven, and no payments are required on the loan during an initial term of six months to one year.

Am I responsible for paying taxes on the forgiven amount?

Amounts forgiven under the terms of the PPP are excluded from gross income and are not taxable.

What are the interest rate and terms for the loan amount that is not forgiven?

The terms of the loan not forgiven may differ on a case-by-case basis. However, the maximum terms of the loan feature a 10-year term with interest capped at 4% and a 100% loan guarantee by the SBA. You will not have to pay any fees on the loan, and collateral requirements and personal guarantees are waived. Loan payments will be deferred for at least six months and up to one year starting at the origination of the loan.

When is the application deadline for the Paycheck Protection Program?

Applicants are eligible to apply for the PPP loan until June 30, 2020.

I took out a bridge loan through my state, am I eligible to apply for the Paycheck Protection Program?

Yes, you can take out a state bridge loan and still be eligible for the PPP loan.

If I have applied for, or received an SBA Economic Injury Disaster Loan (EIDL) related to COVID-19 before the Paycheck Protection Program became available, can I still get a PPP loan?

Yes. If you received an EIDL loan related to COVID-19 between January 31, 2020, and the date at which a PPP may be refinanced, you would be able to refinance the EIDL into the PPP for loan forgiveness purposes to the extent you use the EIDL loan amount to cover forgivable payroll, mortgage-interest, rent and utilities. However, you may not use the EIDL and the PPP to pay the same expenses twice. Remaining portions of the EIDL loan, for purposes other than those laid out in loan forgiveness terms for a PPP loan, would remain a loan. If you took advantage of a separate emergency EIDL grant award of up to \$10,000, that amount would be subtracted from the amount forgiven under PPP.

Do I need to seek credit elsewhere before applying for a Paycheck Protection Program loan?

No, the “Credit Elsewhere Test” is waived for this program.

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