



CONGRESSMAN DAN BISHOP INFORMATION ON:

SMALL BUSINESS OWNERS: CORONAVIRUS PAYCHECK PROTECTION LOANS — FAQ

The third phase legislation passed by Congress to afford relief for the coronavirus crisis is the Coronavirus Aid, Relief, and Economic Security (CARES) Act, passed March 27, 2020. Its centerpiece for assistance to small business is the Paycheck Protection Program. This program provides \$349 billion in **forgivable** loans for small businesses. **“Forgivable”** means you don’t have to repay. And the only credit requirement is that you have documented payroll history. Act quickly to investigate whether this loan is right for you by **CONTACTING YOUR BANK**.



Reflects Dept of Treasury guidance on March 31, 2020. This is not legal or tax advice. Consult professionals.

ANSWERS TO YOUR QUESTIONS



PAYCHECK PROTECTION LOANS — FAQ

Q1. What size business qualifies?

A1. All that have 500 or fewer employees.

Q2. How much can my business borrow?

A2. 2.5 times monthly payroll, but not more than \$10 million.

Q3. How do I proceed?

A3. See your bank. Private lenders can accept applications ([sample form](#)) starting April 3, 2020. Lenders issue these loans; the federal Small Business Administration (SBA) guarantees them 100%. Don't be deterred by loan delinquencies you may have. Lenders understand. If your bank cannot help, contact our office for a referral.

Q4. When can I apply for a loan?

A4. Starting April 3, eligible small business and sole proprietorships will be able to submit applications to SBA qualified lenders. On April 10, independent contractors and self-employed individuals will be able to submit applications to SBA qualified lenders.

Q5. My business doesn't have collateral, and I don't want more personal liability.

A5. No problem. These loans do not require either a personal guaranty or collateral. Only documented payroll history is required.

Q6. How does my business qualify for full forgiveness of a payroll protection loan?

A6. Three requirements: For the eight weeks after you receive your loan —

- 1) Spend at least 75% of the money on payroll and the rest on rent, interest, and/or utilities.
- 2) Employ the same number or more people than during one of these two time periods:
Feb. 15 – Jun. 30 of 2019 or Jan. 1 – Feb. 29, 2020
- 3) Don't reduce any employee's total wages, compared to the most recent full calendar quarter, by more than 25% (except for employees paid over \$100,000 per year).

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Q7. Which permissible use of the borrowed money should my business prioritize?

A7. Representative Bishop strongly recommends that you cover payroll before any other expense.

Q8. My business already laid off employees or cut wages. Am I out of luck?

A8. No. If you rehire laid off employees and resume paying wage rates of 75% or more by June 30, 2020, and you spend 75% of the money borrowed on payroll for eight full weeks after you receive the loan, you still qualify for full loan forgiveness.

Q9. Am I required to make up lost tips to employees to receive forgiveness?

A9. No, but you can if you wish and are able to.

Q10. How will the loan forgiveness process work?

A10. You document to the lender how you spent the borrowed funds, and the lender must grant forgiveness within 60 days

Q11. What are the terms of any unforgiven balance?

A11. Two years maturity. Interest at 1% per annum. Payments deferred at least six months.

Q12. Is the loan forgiveness treated as income to my business for federal tax purposes?

A12. No.

Q13. But I'm self-employed. Am I out of luck?

A13. No. A self-employed individual can receive a paycheck protection loan.

Q14. What about non-profits, are we eligible?

A14. Charitable/educational/religious organizations under IRC 501(c)(3) and veterans organizations under 501(c)(19) are eligible. Other non-profits, including chambers of commerce, are not.

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Q15. 2.5 times payroll is just insufficient to keep my business afloat during the crisis. What other help is available?

A15. Your business may also be eligible for an Economic Injury Disaster Loan. Unlike paycheck protection loans, which banks extend and the SBA guarantees, disaster loans are made directly by the SBA, not by banks. Disaster loans can provide up to \$2 million of working capital to small businesses to overcome a temporary loss of revenue. The SBA can make a \$10,000 advance available within three days after approval of an application, but a disaster loan probably will take longer to arrange than a paycheck protection loan. If you wish to pursue a disaster loan, go to [SBA.gov](https://www.sba.gov).

Q16. Is an SBA disaster loan forgivable?

A16. No.

Q17. Can I obtain both a paycheck protection loan (and have it forgiven) and an SBA economic injury disaster loan?

A17. Yes, but the disaster loan proceeds cannot be spent on the eight weeks of payroll, interest, rent and utilities eligible to be paid for with the paycheck protection loan.

Treasury Department and SBA guidance about Paycheck Protection Loans and other resources for small business in the coronavirus pandemic can be found here: [home.treasury.gov/cares](https://www.home.treasury.gov/cares) and here: [sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources](https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources).

QUESTIONS? danbishop.house.gov/coronavirus

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For more information about
Coronavirus, please visit:
[Coronavirus.gov](https://www.coronavirus.gov)



Information about available SBA
resources and services
[SBA.gov/coronavirus](https://www.sba.gov/coronavirus)




CONGRESSMAN
DAN BISHOP
SERVING NORTH CAROLINA'S 9TH DISTRICT