

## Paycheck Protection Program Overview

On March 27, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law. Within the massive stimulus package is a paycheck protection program (PPP) designed to help small businesses which have faced financial losses during the coronavirus pandemic. The PPP provides American small businesses with eight weeks of cash-flow assistance through 100 percent federally guaranteed loans. The first phase of funding was exhausted by April 16, but additional funds have been allocated. However, it is expected that the PPP funds will be depleted quickly again. Practices of fewer than 500 employees can apply for a loan through any of the 2500 accredited small business association lender partners. The loan is a "paycheck protection loan" intended to cover your employees' payroll costs for eight weeks (up to maximum salary levels of \$100,000). Steps you've already taken regarding a specific employee's status or the choices made to mitigate financial losses in the interim will not factor into eligibility or forgiveness. The ACR is committed to helping rheumatology practices by delivering updates and providing meaningful resources in this unprecedented time. All new information will be posted at [www.rheumatology.org/announcements](http://www.rheumatology.org/announcements), and any questions regarding this program or other coronavirus related items can be sent to [COVID@rheumatology.org](mailto:COVID@rheumatology.org).

## Key Points

- Funds are meant to help retain workers, maintain payroll, and cover rent/mortgage/utility expenses.
- Loans can be entirely forgiven and essentially turned into a non-taxable grant.
- Practices should consider contacting an approved lender to start the application process now. Consider first contacting your existing lender to see if it is participating

## Frequently Asked Questions

### Who is eligible for the loan?

You are eligible for a loan if you are a small business that employs 500 employees or fewer, or if your business is in an industry that has an [employee-based size standard through SBA](#) that is higher than 500 employees. Independently owned franchises with under 500 employees, who are approved by SBA, are also eligible.

### Where can I apply for the Paycheck Protection Program?

You can access the application form [here](#). Given the volume of expected applicants, practices should contact their existing lender first to see if they are participating in the program before exploring other options. If your existing lender is not participating, you can apply for the Paycheck Protection Program (PPP) at any lending institution that is approved to participate in the program through the existing U.S. Small Business Administration (SBA) 7(a) lending program and additional lenders approved by the Department of Treasury. There are thousands of banks that already participate in the SBA's lending programs, including numerous community banks. You do not have to visit any government institution to apply for the program. You can call your bank or find SBA-approved lenders in your area through SBA's online [Lender Match](#) tool. You can call your local [Small Business Development Center](#) or [Women's Business Center](#) and they will provide free assistance and guide you to lenders.

### When is the application deadline for the Paycheck Protection Program?

Applicants are eligible to apply for the PPP loan until June 30th, 2020, but given the expected volume of loan recipients, practices are encouraged to apply as soon as possible and to check with their existing lender first. Funds are available for disbursement on a first come, first serve basis.

### **What is the maximum amount I can borrow?**

The amount any small business is eligible to borrow is 250 percent of their average monthly payroll expenses, up to a total of \$10 million. The loan proceeds are used to cover payroll costs, and most mortgage interest, rent, and utility costs over the 8-week period after the loan is made.

### **What can I use the funds for?**

- Payroll and commission payments, including health care benefits/insurance premiums
- Interest on mortgage obligations, incurred before February 15, 2020
- Rent, under lease agreements in force before February 15, 2020
- Utilities, for which service began before February
- Interest on any other debt obligations that were incurred before February 15, 2020

You must acknowledge that the funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments, and utility payments. Funds you use for other purposes will not be eligible for forgiveness.

The amount of principal that may be forgiven is equal to the sum of expenses for payroll, and existing interest payments on mortgages, rent payments, leases, and utility service agreements. Not more than 25% of the forgiven amount may be used for non-payroll costs (i.e., rent, utilities). Payroll costs include employee salaries (up to an annual rate of pay of \$100,000), hourly wages and cash tips, paid sick or medical leave, and group health insurance premiums.

### **When is the loan forgiven?**

The loan is forgiven at the end of the 8-week period after you take out the loan. Borrowers will work with lenders to verify covered expenses and the proper amount of forgiveness.

### **How much of my loan will be forgiven?**

The purpose of the Paycheck Protection Program is to help you retain your employees, at their current base pay. If staff salaries are not cut by more than 25% and at least 75% of the total loan is used for payroll related costs, 100% of the loan will be forgiven. If more than 25% is used for non-payroll costs, staff is reduced, or salaries are cut by 25% or more, there will be a portion of the loan that needs to be paid back. That portion is dependent on how much you exceed each of those thresholds. Any amount not forgiven would be payable over 2 years, with a 6-month deferral, at a 1.0% interest rate. Any staff laid off before loan origination would need to be rehired by June 30.

### **What documentation will I have to provide when submitting my application for loan forgiveness?**

- Verification of the number of employees on payroll and their pay rates
  - Payroll tax filings reported to the IRS
  - State income, payroll, and unemployment insurance filings
- Documents proving your mortgage, utility, or lease payments
- Certification from a representative of the eligible recipient authorized to make such certifications that:
  - The documentation presented is true and correct
  - The amount for which forgiveness is requested was used to retain employees, make interest payments on a covered mortgage obligation, make payments on a covered rent obligation, or make covered utility payments
- Any other documentation the Administrator determines necessary

The lender will then make a decision within 60 days of your forgiveness application submission.