



Business Recovery Paycheck Protection Program Qualifications

What qualifies as *payroll costs*?

Payroll costs consist of compensation to employees in the form of:

- 1) Salary, wages, commissions, or similar compensation.
- 2) Cash tips or the equivalent (based on employer records of past tips or, in the absence of such records, a reasonable, good-faith employer estimate of such tips).
- 3) Payment for vacation, parental, family, medical, or sick leave.
- 4) Allowance for separation or dismissal.
- 5) Payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement.
- 6) Payment of state and local taxes assessed on compensation of employees.
- 7) Subtract any compensation paid to an employee in excess of an annual salary of \$100,000.00.
- 8) Period: Last 12 months (ending with your last month of full employment).

What does not qualify or gets excluded?

- 1) Any compensation of an employee whose principal place of residence is outside of the United States.
- 2) The compensation of an individual employee in excess of an annual salary \$100,000, prorated as necessary (as noted).
- 3) Federal employment taxes imposed or withheld between February 15, 2020 and June 30, 2020, including the employees and employers share of FICA and Railroad Retirement Act taxes and income taxes required to be held from employees.
- 4) Qualified sick and family leave wages for which is allowed under Sections 7001 and 7003 of the Families First Coronavirus Response Act (Public Law 116-127).
- 5) Any independent contractors/1099 do not qualify and have the ability to apply for a PPP loan on their own and as such do not count for the purposes of a borrower's PPP loan application.



Business Recovery **Paycheck Protection Program Qualifications**

How can PPP loans be used?

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

- 1) Payroll costs (as defined above).
- 2) Costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums.
- 3) Mortgage interest payments (but not mortgage prepayments or principal payments).
- 4) Rent payments.
- 5) Utility payments.
- 6) Interest payments on any other debt obligations that were incurred before February 15, 2020.
- 7) Refinancing an SBA EIDL loan made between January 31, 2020 and April 3, 2020. If you received an SBA EIDL loan from January 31, 2020 15 through April 3, 2020, you can 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.
- 8) However, at least 75 percent of the PPP loan proceeds shall be used for payroll costs.
- 9) For purposes of determining the percentage of use of proceeds for payroll costs, the amount of any EIDL refinanced will be included.
- 10) For purposes of loan forgiveness, however, the borrower will have to document the proceeds used for payroll costs in order to determine the amount of forgiveness.
- 11) While the Act provides that PPP loan proceeds may be used for the purposes listed above and for other allowable uses described in section 7(a) of the Small Business Act (15 U.S.C. 636(a)), the Administrator believes that finite appropriations and the structure of the Act warrant a requirement that borrowers use a substantial portion of the loan proceeds for payroll costs, consistent with Congress' overarching goal of keeping workers paid and employed.
- 12) As with the similar limitation on the forgiveness amount explained earlier, the Administrator, in consultation with the Secretary, has determined that 75 percent is an appropriate percentage that will align this element of the program with the loan amount, 75 percent of which is equivalent to eight weeks of payroll.



Business Recovery Paycheck Protection Program Qualifications

13) This limitation on use of the loan funds will help to ensure that the finite appropriations available for these loans are directed toward payroll protection, as each loan that is issued depletes the appropriation, regardless of whether portions of the loan are later forgiven.

What do lenders have to do in terms of loan underwriting?

Each lender shall:

- 1) Confirm receipt of borrower certifications contained in Paycheck Protection Program Application form issued by the Administration;
- 2) Confirm receipt of information demonstrating that a borrower had employees for whom the borrower paid salaries and payroll taxes on or around February 15, 2020;
- 3) Confirm the dollar amount of average monthly payroll costs for the preceding calendar year by reviewing the payroll documentation submitted with the borrower's application;

What certifications need to be made?

On the Paycheck Protection Program application, an authorized representative of the applicant must certify in good faith to all of the below:

- 1) The applicant was in operation on February 15, 2020 and had employees for whom it paid salaries and payroll taxes or paid independent contractors, as reported on a Form 1099-MISC.
- 2) Current economic uncertainty makes this loan request necessary to support the ongoing operations of the applicant.
- 3) The funds will be used to retain workers and maintain payroll or make mortgage interest payments, lease payments, and utility payments.
- 4) I understand that if the funds are knowingly used for unauthorized purposes, the federal government may hold me legally liable such as for charges of fraud.
- 5) A representative of the applicant can certify for the business as a whole if the representative is legally authorized to do so.
- 6) As explained above, not more than 25 percent of loan proceeds may be used for non-payroll costs.



Business Recovery **Paycheck Protection Program Qualifications**

7) Documentation verifying the number of full-time equivalent employees on payroll as well as the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight week period following this loan will be provided to the lender.

8) Loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities. As explained above, not more than 25 percent of the forgiven amount may be for non-payroll costs.

9) During the period beginning on February 15, 2020 and ending on December 31, 2020, the applicant has not and will not receive another loan under this program.

10) I further certify that the information provided in this application and the information provided in all supporting documents and forms is true and accurate in all material respects.

11) I understand that knowingly making a false statement to obtain a guaranteed loan from SBA is punishable under the law, including under 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.

12) I acknowledge that the lender will confirm the eligible loan amount using tax documents I have submitted. I affirm that these tax documents are identical to those submitted to the Internal Revenue Service. I also understand, acknowledge, and agree that the Lender can share the tax information with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program Requirements and all SBA reviews.