

## FAQ

### **What is the needed documentation for the Paycheck Protection Program?**

- Small Business with Employees
  - Copy of 2019 tax return-all schedules or (if not yet filed)
  - 2019 Profit & Loss Statement and Balance Sheet
  - 12 months of payroll records for the 1 year period prior to date of loan
  - Retirement and health insurance contribution documentation
  - Rent, mortgage interest and utilities expenses documentation
- For sole proprietors or self-employed without employees
  - 1040 Schedule C, if filed for 2019 OR Draft 1040 Schedule C for 2019 if not filed
  - Income and Expenses (Profit & Loss Statement)
- For independent contractors
  - Form 1099-MISC for 2019, for services rendered as an independent contractor

### **What is the needed documentation for the Economic Injury Disaster Loan?**

- Tax information authorization (IRE Form 4506T) for applicant and other business principals giving permission for the IRS to provide SBA your tax return info
- 2019 federal income tax return
- Current year to date profit and loss statement
- Schedule of liabilities (SBA Form 2202)
- Personal financial statement (SBA Form 413)
- Monthly sales figures (SBA Form 1368)

**If I apply for a PPP, can I still apply for other SBA disaster loans?** Yes. However, you cannot use your PPP loan for the same purpose as your other SBA loan(s). If you received an SBA Economic Injury Disaster Loan (EIDL), 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. The PPP ties into the EIDL program because businesses and organizations that received EIDLs between January 31, 2020 and April 3, 2020 have the option to refinance their EIDL into a PPP loan if they used the EIDL to cover payroll costs. Also it's important to remember if you intend to use the Employee Retention Credit, you can't take the PPP loan at all.

**Does the cost of a housing allowance provided to an employee as part of a compensation package count toward payroll costs?** Yes, payroll includes all cash compensation paid to employees, subject to the \$100,000 annual compensation per employee limit.

**I've heard that entrepreneurs who own more than one business are having difficulty getting relief funding when their businesses don't have cleanly separated finances.** I've not heard this, but if you own more than one business, it's important to get separate bookkeeping done for each business. This will become doubly important when it comes time to prove your expenses for loan forgiveness.

**Do independent contractors count as employees for purposes of loan forgiveness?** No, independent contractors have the ability to apply for a PPP loan on their own so they do not count for purposes of a borrower's PPP loan forgiveness.

**Do I use gross pay or net pay when determining its payroll costs?** Under the Act, the Small Business Administration and the Treasury Department have said that payroll costs are based on gross pay and do not include withholdings such as the employee's and employer's share of Federal Insurance Contributions Act (FICA) and income taxes. For example, an employee who earned \$4,000 per month in gross wages and had \$500 in federal taxes withheld would count as \$4,000 in payroll costs. The employee received \$3,500, and \$500 from their wages were paid to the Federal government. All those gross wages can be used when calculating your average costs. However, as an employer, you also paid employer-side Federal payroll taxes for that employee. That additional cost to you was not part of their gross wages and is not included in the calculation under the statute.

**Is there any reason not to consider a PPP or EIDL Loan?** If you have already laid off employees, you should be sure they will come back prior to accepting the full loan. In order to be fully forgiven, you must maintain full payroll. Employees may be collecting new unemployment benefits that provide an increase in pay. The loan provides funds to cover payroll for only eight weeks. So business owners who think it will take longer than that for their revenues to return may not see the point in borrowing the money to make payroll for eight weeks only then to let people go. This is especially the case if most of their workers are minimum wage or close to it, since the CARES Act that created the PPP also authorized a \$600-per-week boost to unemployment benefits. So minimum wage workers and other low-wage workers would get more money unemployed (\$600 per week, plus the regular amount allowed by the state program) than employed.