



# Payroll Protection Program (PPP)

## Economic Injury Disaster Loan (EIDL)

### Frequently Asked Questions (FAQ)

#### PPP FAQ

The Intent of the PPP is to retain your employees which would get employees off of the State's Unemployment. The loan itself, follows the same SBA 7a guidelines with the Bank. Check with your SBA lender on questions you have regarding what is qualified for the PPP. The PPP is much more stringent in its requirements and guidelines than the Economic Injury Disaster Loan (EIDL).

The PPP is designed for 8 weeks of payroll expenses after loan origination; Payments are differed for 6 months and you have 24 months to pay back any unforgiven remainder. You will have to do additional documentation after you receive the loan to apply for the qualified forgivable expenses. Check with your bank.

Q. Is a 501c6 non-profit eligible?

A. No not at this time.

Q. Can the PPP loan be used for seasonal employees that will not usually be hired until mid-May? And if so, will that loan be forgiven?

A. If you are a seasonal business you will have to prove that you have already been adversely affected by the disaster. If you have not been currently affected you will not be qualified for this loan program until you have evidence that you are. If the economic situation continues through your normal start up time, and your business revenue is adversely affected, then at that point you will be qualified for this program. Stay in touch with your lender so they can monitor your situation.

Q. Do salaries include Social Security and Medicare taxes?

A. No, salaries include state and local taxes. You will still be required to pay Federal withholding on your employees and the Medicare taxes but these are not included in what will be calculated for forgiveness.

Q. is there a minimum of employee

A. No, check with you bank to see if your needs make sense for this program. There may be better options for your business if you have less employees.

Q. I had a judgment for felony child support 10-12 years ago I'm making payments as restitution, Will I qualify?

A. Maybe. At time of application you should make full disclosure. It is up to the lender to decide if they will allow this. At times when you are on a payment plan and in good standing, they can override this.

Q. Do payroll related costs include independent contractor costs?

A. No. 1099 contract employees AND Self-employed can apply to the PPP on their own

Q. I just re-started my business in July 2019 will I be able to get this

A. Yes, any business that was operating prior 2/15/2020, and has been adversely affected it qualifies.

Q. I own a beauty salon where I have independent contractors renting space from me. I count on this income to pay my utilities and rent can I apply for this.

A. This loan is developed for employee retention and does not fit this model. You can however apply for the EIDL loan program, and these expenses will qualify.

Q. Can we pay past due bills or loan payments

A. This loan is developed for employee retention and 75% of the loan must be used for payroll and payroll related expenses, excluding federal taxes and withholdings. The remaining 25% can be used to pay other fixed costs and loan payments.

Q. Is the PPP Forgivable if employees are kept employed for eight weeks correct?

A. Correct. The intent is to get people off of unemployment by use of this forgivable loan tool. You would pay them even if we still are in shelter-in-place.

Q. Most my employees are piece rate employees and seasonal however they do receive a W-2 and I pay unemployment will this qualify

A. Yes, if your employees are paid with W2, they will count. If you are seasonal you will need to show that you have been adversely affected by the disaster to qualify at this time.

Q. I have 5 full time and 8 part time. Do I just need to pay/keep the 5 full time? or add up all hours for all employees and pay out that amount to qualify?

A. A Full-Time Employee (FTE) total is what you need. You would have 9 FTE under this scenario. You would apply for the PPP with your bank noting you have 9 FTE.

Q. I have one employee who is full time and then myself that is 1099 am I eligible to receive the PPP loan for both of us?

A. Check with your bank. You would only be able to count total payroll costs for your one employee. PPP may not be the right product to assist with your personal needs. The EIDL loan program would allow for owner draws if needed.

Q. So if I'm closed for business because of this virus I cannot apply for this loan?

A. You can. The purpose of this loan is to retain your employees and allow you to pay your employees even while your business is closed. If you receive this loan all costs for payroll excluding federal taxes and withholding will be forgiven.

Q. So if we aren't open currently, we won't qualify? even if we had to close due to this?

A. You are qualified if you had to close your business. The purpose of this loan is to retain your employees and allow you to pay your employees even while your business is closed. If you receive this loan all costs for payroll excluding federal taxes and withholding will be forgiven.

Q. can I apply for PPP and EIDL?

A. Yes, you can apply for both. If you receive both, you'll have to roll the EIDL into the PPP limiting your payback time to 6 months rather than 12. Check with your bank.

Q. we have 3 employees, are we disqualified?

A. No. Check with your bank. There are no size requirements.

Q. And the two months are April and May 202... is that correct?

A. The loan proceeds are used to cover payroll costs, and most mortgage interest, rent, and utility costs over the eight week period after the loan is made. They will not cover payroll expenses prior to the loan being approved.

Q. When in operation, employee hours varied week to week, but always less than 40 hrs. How do I pay them? Do I average their hours out or just pay them 40 hrs a week?

A. You can do an average if you like as long as you meet the rule: Employee and compensation levels are maintained, to qualify for loan forgiveness.

Q. My employees are already receiving unemployment benefits. What if they would rather continue collecting unemployment (because they are most likely making more money)? What do I do as an employer?

A. The point of the PPP is to get employees off of Unemployment. In normal situations unemployment does not pay as much as a full-time job. If you receive the PPP loan you will have two weeks to call back your employees whether you are open or not for business. If they refuse to come back to work, they will not be qualified for unemployment.

Q. only 8 weeks of payroll will be forgiven then you are responsible for the rest of the loan?

A. The loan proceeds are used to cover payroll costs, and most mortgage interest, rent, and utility costs over the eight week period after the loan is made. There is the expectation that 75% of the loan will be for payroll and related payroll expenses, excluding federal taxes and withholding, to be eligible for forgiveness.

Q. If you have just recently introduced hazard pay to maintain your work force, can the PPP used to fund it? Even though is something you normally don't provide.

A. Yes. Talk with your bank.

Q. I have a client with 7 contractors not employees. How do we best accommodate their capacity to continue to hire and engage these contractors?

A. 1099 individuals can apply for unemployment through the state of Michigan on April 10<sup>th</sup> or the contractors can apply for the PPP loan themselves.

Q. I have a small business, I am the sole employee because everyone that works for me are 1099 employees. It is an S Corp and my accountant said I don't qualify because I'm an S Corp. Is that correct?

A. No you are not disqualified by your business legal entity. Only if your business is owned by a larger affiliation then the affiliation would have to be the borrower.

Q. Is one disqualified from eligibility for either the EIDL or the PPP if they receive state funding through a state grant or loan?

A. No. State funds are ok.

Q. I think you mentioned a minimum loan on PPP. What was that?

A. There is no minimum. Maximum is \$10 million.

Q. If my main concern is rent/utilities. all my employees are able to get unemployment. my PPP loan amount would be 50,000. so 12,500 toward rent/utilities. I couldn't spend 37,500 on payroll unless I pay people more than usual, is that allowed?

A. The loan proceeds are used to cover payroll costs, and most mortgage interest, rent, and utility costs over the eight week period after the loan is made. There is the expectation that 75% of the loan will be for payroll and related payroll expenses, excluding federal taxes and withholding, to be eligible for forgiveness. If this is not the case, then this might not be the best loan program for your needs. Check with your lender to confirm this. They may suggest a Bridge loan instead.

Q. Can the PPP be used for to cover costs related to a recently implemented hazard pay, put in place to maintain your work force?

A. Yes, even though you are paying over your normal rate it can still be considered a payroll expense due to the disaster. Hazard pay should be identified as extra pay on an additional line in your payroll process so it does not effect the forgiveness rule: Employee and compensation levels are maintained

Q. Will I be disqualified from IRS Employee tax credits if I take the PPP

A. Yes, you can receive either the PPP which is a forgiven loan or the Family First Tax Credits on your payroll expenses. Talk with your CPA on the tax credit benefit to determine which is best for you. Generally, if you are not having cash flow issues, it might be more beneficial to continue to pay your employees and take the tax credit.



# Economic Injury Disaster Loan (EIDL)

## FAQ

The EIDL is intended to provide small business help during the COVID-19 pandemic. It is a 4-screen application on the SBA website. Applicants will input basic business information along with 2/1/2019 to 1/31/2020 Revenue and Cost of Goods Sold numbers; Applicants wanting a forgivable portion are to check the “advance” box and enter their bank information. Applicants should Screen shot the application submission confirmation number for future reference.

The advance and the loan portion itself, can be used for working capital. The loan is directly from the SBA and the rate is 3.75%; the loan amount and the term of the loan will be determined by the SBA; Applicants should expect an email from the SBA allowing the applicant to select the amount of advance they want or if there is more information required to underwrite the loan.

Q. Can Non-profit 501(c)3 organizations apply?

A. Yes non-profits may apply.

Q. I am getting a 1099 from my customers, can I apply for the EIDL

A. Yes self employed may apply.

Q. Do I apply for the EIDL though my SBA Lender?

A. No this is done only through the online application. The SBA actually gives the money in this program, not a bank or lender.

Q. If I apply for the EIDL does that disqualify me from Applying to the PPP?

A. No. You can apply for both. Keep in mind the repayment options for both and pay particular attention to your cash flow.

Q. Can I apply for the EIDL and for Unemployment?

A. Yes.

Q. When will the SBA contact me regarding my application?

A. The SBA is backlogged with applications and you will receive an email notifying you if you qualify for an advance or if they require more information.

Q. Do I automatically get \$10,000 by checking the “advance” box.

A. No. You may get up to \$10,000 by clicking the “advance” box.

Q. I haven't filed my taxes in over 5 years, do I qualify for these loan programs?

A. Hard NO. The SBA will have no form of verification that you are in business if you have not filed your taxes. Also if you are behind on paying your taxes and do not have a repayment plan in place, you will not qualify.

Q. Are there more forms to fill out for the loan portion of this program?

A. The SBA will let you know what supplemental information you will need to provide by email.

Q. How long will I have to make a payment on this loan?

A. Payments are deferred for the first 12 months. The loan can be amortized out over 30 years with this program.

Q. Does it hurt to apply for everything?

A. No. Apply for everything and then prior to accepting the loan, review and make sure it makes sense. It is still a loan and all but the advance portion, needs to be repayed.

Q. I applied for the EIDL loan a week ago. I was told it would take 3 days to find out if I applied if I could get the \$10,000. When will I know?

A. You will receive an email stating how much advance you qualify. It may take longer than 3 days because they are backlogged.

Q. I applied for EIDL on March 30 and have heard nothing. Should I be concerned and do I need to reapply?

A. You should reapply. It will not harm your previous standing but it is best to make sure since there was a system change in the middle of this process.

Q. Can I get the 10,000 EIDL loan advance and only get that? meaning no loan just a 10,000 grant?

A. It is “up to” \$10,000 loan advance, and this will be forgiven. They are not calling it a grant.

Q. I anticipate our loan request to be less then 10k should I even apply?

A. Apply and see how it comes out. It will not hurt to apply. IF you need less than \$10,000 with the EIDL it may all be forgiven.

Q. I started the EIDL application. It says businesses that qualify for credit elsewhere are not eligible. If I have a HELOC with a 0 balance with my local lender, am I still eligible for the EIDL?

A. Finish the application with the EIDL; they are not holding this rule with this program. If they need more information discuss it with the SBA when they call.

Q. Can I get the EIDL loan and have my employee remain on unemployment?

A. The point is to get employees off of Unemployment. If you get this loan you will be expected to call your employees back to work.

Q. How will we be notified for the EIDL? I applied a week ago but have heard nothing?

A. Other applicants are now receiving emails with more information and instructions.

Q. When are the self-employed able to file for unemployment insurance?

A. April 10th

Q. can I receive the EIDL loan and unemployment being self-employed?

A. Yes.

Q. How can someone apply for an EIDL if they don't have internet service?

A. Find someone who does and maintain social distancing

Q. Can I get the 10,000 EIDL loan advance and only get that? meaning no loan just a 10,000 grant?

A. Yes. Remember it is up to \$10,000 and the SBA determines how much of that you qualify for.

Q. As the owner who takes owner equity (owner draws) can I use EIDL for payments

A. Yes.

Q. unemployment is opening on 4/10? As owner How do you know which to do if you don't know how much you're getting from EIDL?

A. Apply for Unemployment while you wait for EIDL.

Q. With time frame is EIDL focused on providing assistance to businesses who are in need? The very short-term... April and May 2020? Or June and beyond as well?

A. The intent is to provide 12 months of help through the EIDL. The PPP Program is the one that has a short window. You can apply for these funds currently up to June 30<sup>th</sup> and we believe if funding is available, they will extend that time frame.

Q. I've only owned my business since January 1 am I still eligible for the EIDL loan?

A. Yes, you only need to be in business as of 1/31/2020 for this program.

Q. is there any way we can check status on line for the EIDL? Originally, we could but I can't find the status button anymore?

A. No. The new system does not have that ability.

Q. So, if I am operating my online business solo while my physical store is closed and all other employees are laid off, can I qualify with EIDL to cover my own personal paychecks?

A. Yes.

Q. The debt relief. it's not a deferment but they are actually paying it for 6 months correct?

A. Yes, if you already have a SBA guarantee loan through your bank.