



# PAYCHECK PROTECTION PROGRAM EXPLAINED

**Presented by**  
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# TODAY'S PRESENTERS

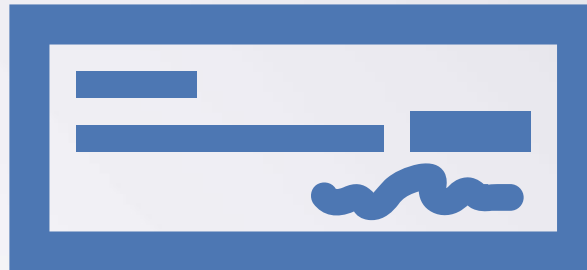
## **Jennifer Berman, JD, MBA**

- CEO of MZQ Consulting, a company that provides a comprehensive suite of benefits compliance products to employers and brokers, including employer reporting and plan document services.
- Employee benefits attorney specializing in ERISA, COBRA, HIPAA, IRS code, the ACA, and other wellness plan rules and statutes.
- NAHU Roles:
  - Compliance Corner Committee
  - Employer Coverage Working Group
  - Legislative Chair, Maryland Association of Health Underwriters

## **Dan Martini, JD**

- Vice President of Congressional Relations & Public Policy at the American Bankers Association (ABA)
- Previously worked at National Federation of Independent Business (NFIB), where he worked on a variety of issues, including labor, regulatory, healthcare and taxes.
- Seven years of experience on Capitol Hill as a Senior Legislative Assistant and Counsel

# Paycheck Protection Program



# Main Benefits

- Available for up to 250% of monthly payroll (or 10m, if less)
- Payments are differred for 6 months
- Fully forgivable if pre-crisis payroll is maintained/restored
- 100% federally guaranteed
- Interest rate will be 1%



# Who is Eligible?



**Entity operating and paying workers on February 15, 2020. Must be:**

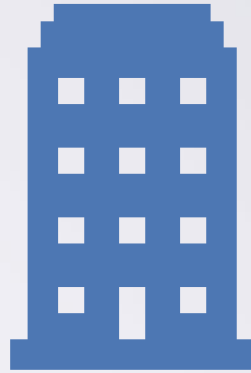
<b>A “small business concern” under SBA laws</b>	<b>Have fewer than 500 employees; or</b>	<b>Have fewer than the SBA’s “small size” standard for the industry</b>

**TIP: FOR MOST INDUSTRIES, THE 500 EMPLOYEE THRESHOLD WILL APPLY. HIGHER THRESHOLD APPLIES FOR “HIGH COST” OPERATIONS LIKE CERTAIN TYPES OF MANUFACTURING.**

# Counting to 500 (The PPP Method)

- Include full-time, part-time, and “other basis’ employees
- Count employees of all US and foreign affiliates
- “Affiliates”
  - Based on ‘totality of the circumstances’ evaluations
  - Used to determine whether ‘control or ability to control’ exists
- Affiliation can arise through ownership, management or otherwise
- KEY POINT – The definition is VERY broad

# Special Rule for Hotels, Food Services and Franchises



<b>Affiliation Rules are waived for NAICS Industry Codes starting with “72”</b>	<b>Means those entities can count to 500 by location</b>	<b>Also waived for franchises under an SBA franchise identifier code</b>

# Qualifications Requirements



**Borrower must certify in good-faith that:**

<b>Loan is needed to “support ongoing operations” during the COVID-19 emergency</b>	<b>Funds will be used to maintain payroll and benefits, and/or pay mortgage, lease and utilities; and</b>	<b>No other applications pending or received from SBA for the same purpose since February 15, 2020</b>

**CAUTION: AN EMERGENCY ECONOMIC INJURY DISASTER LOAN (EIDL) COULD COMPLICATE THINGS...**

# Loans can be used for

- Any purpose SBA loans can already be used for ( e.g., inventory, supplies, site improvements, etc.)
- Payroll costs up to \$100,000 per employee prorated for the covered period
  - Group health plan benefits
  - Retirement benefits
  - State and local payroll taxes
- Interest on mortgage obligations
- Rent
- Utilities
- Interest of loan obligations incurred before 2/15/2020

# Loan Forgiveness

**The following amounts paid within 8 weeks of loan origination:**

<b>Payroll Costs</b>	<b>Interest on mortgage obligations</b>	<b>Rent</b>	<b>Utilities</b>

**Forgivable amount is REDUCED based on reductions number of employees and/or payroll (*if payroll deduction > 25%*)**

**Reduction rules DO NOT apply is any reductions in workforce and/or payroll are restored by June 30, 2020**

***These rules look at changes made relative to: workforce size/payroll as of February 15, 2020 between February 15, 2020 and April 26, 2020***

***Additional Guidance to be issued by April 26, 2020***

# Getting a Loan

- Administered on SBA's behalf by commercial banks beginning April 3 for small business and sole proprietors (and April 10 for gig workers)
- Applicants WILL need to:
  - Establish payroll cost amounts;
  - Verify entity size;
  - Identify affiliates to which the SBA affiliation rules apply;
  - Assign the industry code of the entity; and
  - Verify that the business existed and paid workers on 2/15/2020
- Still waiting on regulations, which will include information and details, required to be issued by 4/10/2020
- Contact your bank NOW if you intend to take advantage of this program

# Banking Discussion

You may ask your question in the questions box at any time.