

Borrower Frequently Asked Questions on Coronavirus Disaster Relief

1. Can sole proprietors claim their compensation on the EIDL and PPP loans? What if it is not paid out as salary but they are paid through a draw against net revenue of the business as their compensation? What if a draw is not shown but it is net revenue on their personal tax return? Do they add the additional health care and other costs that are eligible to be covered?

Yes, they can still apply. Lenders can verify income via tax documentation and bank statements.

Payroll costs include: • Salary, wages, commissions, or tips (capped at \$100,000 on an annualized basis for each employee); • Employee benefits including costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit; • State and local taxes assessed on compensation; and • For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis for each employee.

2. How can a 1099 contractor request a PPP loan? Is the average payroll cost the average monthly 1099 amount? Do they add the withholding tax they paid (FICA, FUTA, etc), healthcare and costs to get their average amount?

For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis for each employee.

3. How does an independent contractor use the recover lost 1099-Misc income? As written, the independent contractor has no payroll and often no business-related rent and utilities – does that mean that there are no Allowable Uses? This seems to imply that the independent contractor can apply for a loan and calculate the max loan, but can't use it for anything. Further, if there are Allowable Uses, how does the independent contractor determine the amount of forgiveness?

They can use the loan proceeds to cover their income for eight weeks. Average monthly payroll will be estimated using tax documents and/or bank statements.

4. Can you clarify the timing of receipt of the \$10,000 EIDL loan amount? Initial comments were 3 business days but some people have heard this was after a 10 day processing time period? The 3 day waiting time has passed for people who claimed last week and they have not heard back.

We do not have a definitive answer on how long it will take to receive the funds. The disaster team originally stated 18-21 days for approval, but we have heard some individuals receiving an initial response in 11 days.

5. For the EIDL loan, will there be any clarity on the amount that will be approved based on operating expenses submitted. Will it cover 3 months, 6 months, 1 year, etc and how will the loan term be decided? A term sheet would be helpful to guide clients through the process.

The loan officer will work with the business owner to determine the appropriate amount of recovery funds.

6. For the PPP loan, the application shows:

Average Monthly Payroll: \$ _____ x 2.5 + EIDL, Net of Advance (if Applicable) Equals Loan

Request: \$ _____ Number of Employees: _____

Purpose of the loan (select more than one): Payroll Lease / Mortgage Interest Utilities

Other (explain): _____

It looks like the loan request is based on average monthly payroll only. Where do the amounts for the other items noted – lease/mortgage interest, utilities, other – get calculated and for how many months of coverage?

That calculation accounts for 8 weeks of payroll, plus an additional 25% of the loan amount for other costs. The majority of the loan (75% or more) should be used for payroll purposes.

7. How is the \$10,000 grant amount calculated for the EIDL loan? Is it based on number of employees, % of loan amount or does everyone get the entire amount?

To ensure that the greatest number of applicants can receive assistance during this challenging time, the amount of the Advance will be determined by the number of the pre-disaster (i.e., as of January 31, 2020) employees. The Advance will provide \$1,000 per employee up to a maximum of \$10,000.

8. For the PPP application, there is a provision that states:

Employers requiring furloughed workers to return to work by employers decertifying their unemployment status may be liable for damages for illness due to Covid-19.

Is this meant to de-incentivize employers from recalling employees too early back to work. Should employers wait until any shelter in place executive orders issued by the state and local government had concluded before recalling employees so that they are not liable?

We do not have the answer for this. What we do know is that if they apply for the PPP loan, they will have to hire their employees back once they receive the funds.

9. For faith based non-profits, please confirm that they are not eligible for the EIDL loan but are eligible for the PPP loans if they have staff on payroll?

They are now eligible for both.

10. If a business used an agency for the first 9 months of 2019 & then brought them onto payroll, how do you calculate the average monthly payroll cost? Do you assume the employee was on payroll the entire year? The quarterly 940 will not reflect this information.

Yes.

11. How do you calculate FTEs especially if a business uses seasonal or part time workers?

Calculate total number of jobs, whether they were part time or full time employees.

12. In the text of the CARES Act, the term “payroll costs” is:

(I) (aa) the sum of payments of any compensation with respect to employees and
(II) shall not include taxes imposed or withheld [paraphrasing here]: FICA, Medicare, income taxes.

Why is SBA and others saying that payroll costs are the gross amount of payroll?

Under the Act, payroll costs are calculated on a gross basis without regard to (i.e., not including subtractions or additions based on) federal taxes imposed or withheld, such as the employee’s and employer’s share of Federal Insurance Contributions Act (FICA) and income taxes required to be withheld from employees. As a result, payroll costs are not reduced by taxes imposed on an employee and required to be withheld by the employer, but payroll costs do not include the employer’s share of payroll tax. For example, an employee who earned \$4,000 per month in gross wages, from which \$500 in federal taxes was withheld, would count as \$4,000 in payroll costs. The employee would receive \$3,500, and \$500 would be paid to the federal government. However, the employer-side federal payroll taxes imposed on the \$4,000 in wages are excluded from payroll costs under the statute.

Basically, anything that is already covered in an employees paycheck is already being included, by including the gross pay.

13. With respect to seasonal employers and the amount forgiven, why are the wages paid and FTEs comparing the 8-25 week period after loan origination [in 2020] to Feb. 15-June 30, 2019. This would not be a comparable comparison?

SBA backdated the disaster assistance to February 15, 2020, and the loan period is covered until June 30, 2020. Therefore, they are using that time period to get the estimation of how many employees that business would employ during that time of year.

For example, a seasonal business that hires the bulk of its employees during the winter months would not suffer the same economic impact a seasonal business that hires the bulk of their employees in the spring would.

14. Can I check on the status of my EIDL loan application?

Unfortunately there is no way to check the status of the loan within the district office, or through disaster customer service. As you can imagine, SBA has received thousands and thousands of applications on this national disaster loan program. Please be patient and you will eventually receive email correspondence from the disaster team. According to applicants we have spoken to, it has taken approximately 11 days from the first submission to receive your initial response.

15. What if an eligible borrower contracts with a third-party payer such as a payroll provider or a Professional Employer Organization (PEO) to process payroll and report payroll taxes?

SBA recognizes that eligible borrowers that use PEOs or similar payroll providers are required under some state registration laws to report wage and other data on the Employer Identification Number (EIN) of the PEO or other payroll provider. In these cases, payroll documentation provided by the payroll provider that indicates the amount of wages and payroll taxes reported to the IRS by the payroll provider for the borrower's employees will be considered acceptable PPP loan payroll documentation. Relevant information from a Schedule R (Form 941), Allocation Schedule for Aggregate Form 941 Filers, attached to the PEO's or other payroll provider's Form 941, Employer's Quarterly Federal Tax Return, should be used if it is available; otherwise, the eligible borrower should obtain a statement from the payroll provider documenting the amount of wages and payroll taxes. In addition, employees of the eligible borrower will not be considered employees of the eligible borrower's payroll provider or PEO.

16. My financial institution is no longer taking/isn't taking PPP applications. Is there another lender I can go to?

Please reference our [SC Lender List](#) and the [Paycheck Protection Find Lender Tool](#). Additionally, please know that most lenders are only servicing their own clients at this time.

17. Can I still receive the PPP loan to pay my employees if I have laid them off?

You will have to rehire your employees once you receive the PPP funds, and keep them employed for at least an eight week period after receiving the loan.

18. I own my property, but the property is owned by my holding company, and my business pays rent to my holding company. Can I still use the PPP loan to pay rent?

Yes, but do not double dip funds, and only apply under the business EIN, and not the holding company. Since the rent will still be paid to the holding company, that entity will not be suffering an economic impact.

19. Can I get more than the 2.5 x average monthly payroll? I need more funds to cover rent, utilities, and/or mortgage interest payments.

The maximum loan amount is 2.5 x average monthly payroll. This loan is mainly for payroll purposes, and less than 25% of the loan should be used for non-payroll expenses. If you need more funds to cover those expenses, considering applying for the [Economic Injury Disaster Loan](#).

20. Can an individual who is on the Board of Directors of a financial institution apply under that financial institution?

That is considered a conflict of interest, and would be ineligible to apply.

21. Can an individual with pending charges apply for the PPP or EIDL loan?

They would not be able to apply until they were cleared of any pending charges.

22. What if I had a delinquent federal loan more than 7 years ago?

If it is past the 7 year timeframe, you are eligible to apply.

23. I heard there is a website where I can check my EIDL loan status, but it asks for a username and password. Where to get that information?

Some applicants may receive an email from the SBA Disaster Team with a password and username to request additional information. If you did not receive this, please do NOT try to use the link. We do not want to overwhelm the server. Information will be provided to you if you need to use that link.

24. If we only have 8 weeks to use the money is that based on the date we received it? or the first payroll we run after we received it?

They have to start their payroll back up once they receive the funds.

25. We stated \$800 in utilities and the rest payroll. Does that mean we can NOT use it for anything else - such as rent or fuel for the equipment since that was how we listed it?

The loan is meant to cover 8 weeks payroll, and any additional funds can be used for rent, utilities, and mortgage interest.

26. What happens if we don't use it all in 8 weeks - not because we don't maintain payroll but because it was calculated on 10 weeks?

Need to pay employees 8 weeks straight to receive 100% loan forgiveness on those funds. The additional funds used towards rent, utilities, and mortgage interest will be reimbursed 25%.

27. Are we allowed to use it to pay payroll taxes that are due - we usually pay those each week?

Under the Act, payroll costs are calculated on a gross basis without regard to (i.e., not including subtractions or additions based on) federal taxes imposed or withheld, such as the employee's and employer's share of Federal Insurance Contributions Act (FICA) and income taxes required to be withheld from employees. As a result, payroll costs are not reduced by taxes imposed on an employee and required to be withheld by the employer, but payroll costs do not include the employer's share of payroll tax. For example, an employee who earned \$4,000 per month in gross wages, from which \$500 in federal taxes was withheld, would count as \$4,000 in payroll costs. The employee would receive \$3,500, and \$500 would be paid to the federal government. However, the employer-side federal payroll taxes imposed on the \$4,000 in wages are excluded from payroll costs under the statute.

28. Is there a site or document that will help answer these questions?

All guidance available is posted at www.sba.gov/paycheckprotection or www.treasury.gov/cares.

29. To clarify for calculations, the post period starts on the day that the loan is disbursed and ends no later than June 30? What happens if the loans are disbursed late and there is less than 8 weeks remaining. Will the date be extended?

The 8 week period begins when you receive the funds. The June 30th date is the deadline for PPP applications, not for the 8 week period.

30. I moved my business from one state to another in the beginning of the year. Can I apply in my previous state and my current state with the same tax ID?

You can only apply for one PPP loan per tax ID.

31. Are community associations eligible for the EIDL and PPP loans?

If they are a 501c3, then yes.

32. What if my franchise is not listed on the SBA Franchise Directory? Can we still apply for PPP?

You can request for a review of your franchise at franchise@sba.gov. Your franchise will have to be approved and listed on the registry to be considered for a PPP loan.

33. Do I still qualify if my business was not open for the full year in 2019? How do I calculate my payroll costs?

If your business was open before February 15, 2020, you are eligible for PPP. An applicant that was not in business from February 15, 2019 to June 30, 2019 may use the average monthly payroll costs for the period January 1, 2020 through February 29, 2020.

34. For PPP, how does an independent contractor or sole proprietor calculate the amount to be forgiven? We understand the healthcare premiums, rent, utilities, and debt obligations (which presumably must be business-related). What will substitute for wages as an Allowable Use and amount to be forgiven? And how is it calculated?

Independent contractors must submit the documentation necessary to establish eligibility such as payroll processor records, payroll tax filings, or Form 1099- MISC, or income and expenses from a sole proprietorship. For borrowers that do not have any such documentation, the borrower must provide other supporting documentation, such as bank records, sufficient to demonstrate the qualifying payroll amount. Their records should backup their payroll amount.

For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis for each employee is what is eligible.

35. For a client who was about to open their doors in March or April and have overhead expenses - rent, utilities, etc but not yet payroll, can they apply for an EIDL loan? Is there anything in the

PPP program for them?

They had to be in operation as of February 15, 2020.