



## Background and Summary

Effective April 3, 2020, Congress signed into law the [CARES Act](#) which is a historic stimulus package designed to provide relief during the COVID-19 pandemic crisis. In the CARES Act, Congress enacted the Paycheck Protection Program ([PPP](#)) to provide cash to small employers and their employees.

The PPP authorizes forgivable loans to small businesses, including non-profits and faith-based organizations, to pay their employees and prevent furloughs through June 30, 2020. The Small Business Administration (SBA) will oversee the process and thousands of lenders nation-wide will administer the loans.

The loan amounts may be forgiven as early as August of 2020 as long as:

- At least 75% of the loan proceeds are used to cover payroll costs, and the remaining portion is used on most mortgage interest, rent, and utility costs over the 8-week period after the loan is made.
- Employee and compensation levels are maintained.

The terms of the loan will be two years at 1% interest with no payments due for 6 months. The loan amount is based off 2.5 times monthly payroll costs. Prospective applicants should act quickly as funding is limited and lenders may prioritize borrowers on a first-come-first-serve basis.

## Loan Application

Beginning April 3, 2020, employers with fewer than 500 employees can apply for an SBA Loan covered under the PPP for an amount that . Your current financial institution is most likely authorized as an SBA Lender under this new act and they should be your first contact as existing relationships will have priority. [Here](#) are resources to connect you with a lender if your bank is unable to accommodate your application.

Steps to apply:

1. Review the Certifications required in order to apply – see [the PPP application](#)
2. Pull documentation of payroll costs and tax reports from calendar year 2019 (*another 12-month period such as 4/1/19 – 3/31/20 could be requested from the lender*)
  - a. Payroll Costs – General Ledger
    - i. Salary, wages, commissions, or tips (capped at \$100,000 on an annualized basis for each employee);
    - ii. 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;
    - iii. State and local taxes assessed on compensation; and



- iv. 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.
  - b. Payroll Tax Reports
    - i. Have available Q1 – Q4 Payroll Tax Forms – 941s or 944s
3. Calculate your estimated loan amount by taking annual payroll costs, dividing by 12, and multiplying by 2.5.
4. Contact your lender to request an SBA Loan Application for the Paycheck Protection Program. Ask if there is any additional information they will need to process the request. The lender will then submitted the application to the SBA’s online portal on your behalf.
5. Apply and finalize the loan in accordance with the organization’s by-laws. (e.g. approval by Board of Directors).

## Loan Forgiveness

The forgiveness of the loan is dependent on the SBA and lender’s interpretation. You will submit a request to have the loan forgiven by the lender who will ask you to provide documentation verifying payroll costs, the number of full-time employees employed during the loan period, and other relevant documentation. The lender will have 60 days to may a decision on forgiveness.

The payroll costs incurred during the 8-week period the loan was issued for will determine the amount that is forgiven. The loan forgiveness will be reduced if the full-time employee headcount is decreased and not rehired by June 30, 2020, or if more than 25% is spent on non-payroll costs that are covered under the PPP during the period covered.

There are no penalties on prepayment for any amounts unforgiven. The loan terms on amounts unforgiven are a 2 year maturity at 1% interest.

## Disclaimer

The information provided by the Central Texas Food Bank is not a substitute for legal counsel or other professional advice. Agencies are encouraged to seek counsel with legal or other relevant professionals.

## Resources

[SBA.gov](https://www.sba.gov) - General PPP Information

[FAQ regarding the PPP](#)

[AICPA – Press Release](#) regarding PPP

[FAQ Regarding PPP Participation by Faith-Based Organizations](#)

[Treasury.gov Fact Sheet](#)