



Paycheck Protection Program FAQs for AMGA Members

Member Resources

Overview

The Coronavirus Aid, Relief, and Economic Security Act or “CARES Act” ([H.R. 748](#)), signed into law on March 27, 2020, is a \$2.2 trillion stimulus package designed to provide broad economic stimulus to individuals and businesses following the unprecedented impact of COVID-19 on the American economy. The \$349 billion “Paycheck Protection Program” (PPP) is part of the CARES Act and expands loan eligibility under the Small Business Administration’s (SBA) 7(a) loan program to help businesses cover costs related to payroll (including healthcare and certain related expenses), mortgage interest, rent, and utilities during an 8-week or 24-week loan period.

The Frequently Asked Questions below provide an interpretation of the CARES Act, the Paycheck Protection Program Flexibility Act, and U.S. Treasury interim and final rules to help AMGA members understand the PPP loan program, learn how to apply for a PPP loan, and achieve maximum loan forgiveness. Please note, the AMGA has produced a second FAQ on the PPP Loan Program that provides [specific guidance for self-employed individuals](#).

The AMGA has also produced an [FAQ on PPP Loan Forgiveness](#) that describes the requirements that must be met to achieve full forgiveness of a PPP loan.

1. Who can apply?

The PPP loan program is available to small businesses and nonprofits with up to 500 employees, sole proprietors, independent contractors, and certain self-employed individuals.

2. Where can I apply?

You can apply for a PPP loan through your local bank or credit union if it is among the thousands of approved lenders authorized to participate in the SBA 7(a) lending program. If you need help finding an approved lender, you can use

the [SBA Lender Finder Tool](#) to find a lender in your area. You can also call your local [Small Business Development Center](#) for free assistance to connect you with lenders.

3. When can I apply?

Small businesses and sole proprietorships are able to apply for and receive PPP loans beginning on April 3, 2020. Independent contractors and self-employed individuals can apply for and receive PPP loans beginning on April 10, 2020.

4. What is the deadline to apply for a PPP loan?

The CARES Act creates a deadline of June 30, 2020 to apply for PPP loans. However, the funds allocated by Congress are expected to be depleted quickly. If you are considering a PPP loan, you should apply right away.

5. What do I need to apply?

Borrowers will be required to submit payroll documentation along with a completed [PPP loan application](#). According to the [SBA's Interim Final Rule 1](#) governing PPP loans, borrowers must submit documentation 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.” Contact your lender for more information because documentation requirements may vary from bank to bank.

6. How many loans can I take out under the PPP program?

Each eligible applicant can apply for and receive one PPP loan.

7. Do I need to first look for other funds or sources of credit before applying to the PPP program?

No. There is no need to certify that you cannot find credit elsewhere.

8. Do I need to pledge any collateral or personally guarantee PPP loans?

No.

9. Are there any fees?

No.

10. What is the maturity date of a PPP loan, what is the interest rate, and when do I need to start repaying any amounts of the loan that are not forgiven?

- The maturity of a PPP loan is 5 years
- The interest rate is 1%
- Payments on outstanding loan amounts can be deferred until the date on which the approved loan forgiveness amount is remitted to the lender, or, if a borrower does not submit its loan forgiveness request within 10 months after the end of the applicable loan forgiveness period, then the borrower will be required to begin making principal and interest payments after the 10-month period.

11. How do I calculate the amount I can borrow?

PPP loans may be issued for up to 2.5 times the “average monthly payroll costs” of the applicant. To calculate average monthly payroll, an applicant will use one of the following methods:

- Most applicants will use the average monthly payroll for the year 2019, or for the twelve months preceding the loan application date.

- For seasonal employers, average monthly payroll is calculated using one of the following periods (borrower's choice):
 - February 15 – June 30, 2019
 - March 1 – June 30, 2019
 - Any consecutive 12-week period from May 1 – September 15, 2019
- For new businesses that were not in operation during February 15, 2019 - June 30, 2019, the average monthly payroll is calculated for the period from January 1, 2020 - February 29, 2020.
- In all cases, the average monthly payroll cost must exclude costs for any employee that exceed \$100,000 (on an annualized basis). Only costs over the \$100,00 threshold are to be excluded.

The following example of a payroll cost calculation is provided by SBA in Interim Final Rule 1:

Step 1: Aggregate payroll costs from the last twelve months for employees whose principal place of residence is the United States.

Step 2: Subtract any compensation paid to an employee in excess of an annual salary of \$100,000.

Step 3: Calculate the average monthly payroll costs (divide the amount from Step 2 by 12).

Step 4: Multiply the average monthly payroll costs from Step 3 by 2.5.

Step 5: Add the outstanding amount of an Economic Injury Disaster Loan (EIDL) made between January 31, 2020 and April 3, 2020, less the amount of any "advance" under an EIDL COVID-19 loan (because the advance does not have to be repaid).

12. What counts as payroll costs?

The SBA's [Interim Final Rule 1](#) defines "payroll costs" as compensation to employees in the form of:

- Salary, wages, commissions or similar compensation.
- Cash tips or the equivalent (based on employer records of past tips or, in the absence of such records, a reasonable, good-faith employer estimate of such tips).
- Payment for vacation, parental, family, medical, or sick leave.
- Allowance for separation or dismissal.
- Payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement.
- Payment of state and local taxes assessed on compensation of employees.

"Payroll costs" for an independent contractor or sole proprietor applying for a PPP loan include wages, commissions, income, or net earnings from self-employment or similar compensation. A complete description of the process for calculating the PPP loan amount for self-employed individuals can be found in the [AMGA FAQ on PPP Loans for Self-Employed Individuals](#).

"Payroll costs" do not include:

- Any compensation of an employee whose principal place of residence is outside of the United States.
- Compensation of an individual employee in excess of an annual salary of \$100,000, prorated as necessary.
- Employer-side federal payroll taxes (social security, Medicare, federal unemployment taxes)
- Qualified sick and family leave wages for which a credit is allowed under the Families First Coronavirus Response Act.

13. Can I include payments made to an independent contractor in my calculation of payroll costs?

No. Payments made by a business to an independent contractor cannot be included in payroll costs. However, an independent contractor may qualify for his/her own PPP loan under the Paycheck Protection Program.

14. The CARES Act excludes from the definition of payroll costs any employee compensation in excess of an annual salary of \$100,000. Does that exclusion apply to all employee benefits of monetary value?

No. The exclusion of compensation in excess of \$100,000 annually applies only to cash compensation, not to non-cash benefits, including:

- Employer contributions to defined-benefit or defined-contribution retirement plans.
- Payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums.
- Payment of state and local taxes assessed on the compensation of employees.

15. What can I use a PPP loan for?

For borrowers who received a PPP loan prior to June 5, 2020, the proceeds of a PPP loan can be used during either an 8-week covered period or a 24-week covered period (borrower's choice). For borrower's who received a PPP loan after June 5, 2020, the proceeds of a PPP loan will be used during a 24-week covered period. The covered period begins on the date the loan proceeds are deposited into the loan recipient's account. During the covered period, the proceeds of a PPP loan are to be used for:

- Payroll costs (as defined in FAQ #12 above)

- Interest payments on mortgages and other debt obligations incurred before February 15, 2020 (but not mortgage prepayments or principal payments)
- Rent payments
- Utility payments

16. Can I use a PPP loan to refinance an existing SBA EIDL Loan?

Yes. You may refinance an existing SBA EIDL loan made between January 31, 2020 and April 3, 2020 with a new 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.

17. Can a PPP loan be used to pay employer-provided non-COVID-19 sick leave?

Yes. The PPP can be used for regular employee benefits such as parental, family, medical or sick leave. However, a PPP loan cannot be used for COVID-19 qualified sick and family leave as defined by the Families First Coronavirus Response Act (FFCRA). Qualified COVID-19 sick and family leave wages must be reimbursed through tax credits. Learn more about the FFCRA's Paid Sick Leave Refundable Credit [here](#).

18. How much of my PPP loan will be forgiven?

The amount of loan forgiveness can be up to the full principal amount of the loan and any accrued interest. The actual forgiveness amount will be determined by the amount attributable to expenditures on payroll costs, interest payments on mortgages and debt obligations, rent, and utility payments for an eight-week or 24-week covered period.

To receive full forgiveness:

- A minimum of 60% of PPP loan proceeds must be used for payroll costs.
- Expenditures for rent, utilities, and mortgage interest must be for agreements or service contracts that were in place prior to February 15, 2020.
- The employer must maintain the same number of full-time equivalent (FTE) employees as the employer had during the period February 15 - June 30, 2019 or January 1 – February 29, 2020 (borrower’s choice).
- Seasonal employers must maintain the same number of FTE employees as the business had during the period February 15 - June 30, 2019, the period January 1 – February 29, 2020, or during a 12-week consecutive period between May 1 – September 15, 2019 (borrower’s choice).
- To receive full forgiveness, the employer may not reduce the average weekly salary or wages of any employee during the loan period by more than 25% of the average weekly salary or wages of the employee during the period January 1 – March 31, 2020.
- If a borrower received an emergency EIDL grant award of up to \$10,000, the lender will subtract that amount from the amount forgiven under the PPP.

What is not forgivable?

- Employer side payroll taxes within the eight-week loan period are not forgivable.
- Any expenditures used for unauthorized purposes (i.e., purposes other than those enumerated in FAQ #14 above).

19. How do I calculate FTEs if I employ part-time or occasional workers?

A borrower can calculate FTE in one of two ways:

1. A borrower can calculate FTE as a percentage of full-time employment. Using this approach, a borrower would determine the average number of

hours worked by each employee per week during the covered period and divide that number by 40. The resulting quotient is rounded to the nearest 1/10th. For example, an employee working 25 hours/week would be .6 FTE.

2. Alternatively, a borrower may elect to use a full-time equivalency of 0.5 for each part-time employee regardless of how many hours they work (as long as it is less than 40). For example, an employee working 10 hours/week would be counted as .5 FTE and an employee working 30 hours/week would also be counted as .5 FTE.

A borrower may select only one of these two methods, and must apply that method consistently to all of their part-time employees for the covered period (or alternative payroll covered period) and the selected reference period.

20. Do the FTEs I employ during the covered period have to be the same individuals as I employed prior to the covered period?

No. A PPP loan recipient can employ any individuals during the covered period as long as the same number of full-time equivalents are maintained.

21. How can I request loan forgiveness?

The SBA indicates you can submit a forgiveness request to the lender that is servicing your loan. You must submit a completed [PPP Loan Forgiveness Application](#) or [PPP Loan Forgiveness Application Form EZ](#) along with documentation that verifies the number of full-time equivalent employees and pay rates, payroll costs, and the payments made toward eligible mortgages, rent, and utility obligations. You must certify that the documents are true and that you used the forgiveness amount to retain employees and make eligible mortgage interest, rent, and utility payments. The lender must make a decision on a borrower's forgiveness request within 60 days.

22. Does the AMGA have additional resources on PPP loan forgiveness?

Yes. The AMGA has created a detailed [FAQ on PPP Loan Forgiveness](#) that describes the requirements that must be met to achieve forgiveness of a PPP loan.

23. Can I pay myself through a PPP loan and collect unemployment?

If you receive a PPP loan and you use it to pay your personal salary, wages, or other compensation you will be receiving income that may affect your eligibility to receive unemployment benefits.

24. Can I get an Economic Injury Disaster Loan (EIDL) and a Paycheck Protection Program Loan (PPP)?

Yes, you can get both loans but can't use both loans for the same uses during the same time period. For example, if you use a PPP loan for payroll costs in May you cannot use an EIDL loan for the same payroll costs in May.

25. I received an EIDL before the CARES Act went into effect. Can I apply for a PPP loan?

Yes. If a borrower received an EIDL loan related to COVID-19 between January 31st, 2020 and April 3, 2020, the borrower will be able to refinance the EIDL loan into the PPP for loan forgiveness purposes. Remaining portions of the EIDL, used for purposes other than those for which forgiveness is available under a PPP loan, will remain a loan.

26. What impact does a PPP loan have on my ability to qualify for the employee retention tax credit that is available under the CARES Act?

Under the CARES Act, eligible employers can get a tax credit for 50% of employment taxes, up to \$10,000 per worker. If an employer is a recipient of a PPP loan, they will not be eligible for the tax credit program.

27. What do I need to certify to obtain a PPP loan?

The SBA [Interim Final Rule 1](#) says that on a PPP loan application, borrowers will be required to certify the following:

- The applicant was in operation on February 15, 2020 and had employees for whom it paid salaries and payroll taxes or paid independent contractors, as reported on a Form 1099-MISC.
- Current economic uncertainty makes this loan request necessary to support the ongoing operations of the applicant
- Funds will be used to retain workers and maintain payroll or make mortgage interest payments, lease payments, and utility payments
- Borrower understands that if the funds are knowingly used for unauthorized purposes, the federal government may hold borrower legally liable such as for charges of fraud
- Not more than 40 percent of loan proceeds may be used for non-payroll costs
- Documentation verifying the number of full-time equivalent employees on payroll as well as the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight-week period following this loan will be provided to the lender
- Loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities.
- During the period beginning on February 15, 2020 and ending on December 31, 2020, the applicant has not and will not receive another loan under the PPP program

- Information provided in the PPP application and the information provided in all supporting documents and forms is true and accurate in all material respects.
- Borrower understands that knowingly making a false statement to obtain a guaranteed loan from SBA is punishable under the law, including imprisonment and fines
- Borrower acknowledges that the lender will confirm the eligible loan amount using tax documents I have submitted, and affirms these tax documents are identical to those submitted to the Internal Revenue Service.

28. How can I learn more? Are there additional resources available?

[Paycheck Protection Program General Information](#)

[Paycheck Protection Program Borrower Information Sheet](#)

[SBA Frequently Asked Questions on the PPP Loan Program](#)

[U.S. Treasury Interim and Final Rules on the Paycheck Protection Program](#)

[Paycheck Protection Program Flexibility Act of 2020](#)

[AMGA FAQ on PPP Loan Forgiveness](#)

[PPP Loan Forgiveness Application](#)

[PPP Loan Forgiveness Application Instructions](#)

[PPP Loan Forgiveness Application Form EZ](#)

[PPP Loan Forgiveness Application Form EZ Instructions](#)