



SBA Releases New Paycheck Protection Program Guidance

Late Thursday, April 2, the Treasury Department released new guidelines from the Small Business Administration for the Paycheck Protection Program (PPP) to assist small businesses to submit their loan applications in a timely basis. We are continuing to monitor developments and updates that affect your business and will provide you with alerts on a regular basis to ensure you are informed on how to respond to tax and regulation changes as they occur.

Changes and clarifications announced include:

Application Date

Information posted on the Treasury Department's website confirms that sole proprietorships and small businesses may apply for a PPP loan starting on Friday, April 3, while self-employed individuals or independent contractors must wait until Friday, April 10 to apply.

Interest Rate Change

The interest rate for the PPP loan has been clarified to be 1%. The CARES Act provides for a maximum of 4%.

Maturity Date

The loan maturity is confirmed to be two years. The CARES Act provides for a maximum maturity of up to ten years.

Number of Employees

You are eligible for a PPP loan if you have 500 or fewer employees (with some exceptions), and the guidance confirms that independent contractors do not count as employees for this calculation.

Independent Contractor Payment Clarification

Information released yesterday clarifies that only sole proprietors and independent contractors are permitted to include independent contractors in their payroll cost calculation for determining the PPP loan amount. All other businesses cannot include payments to independent contractors reported on 1099s. If you originally had independent contractors included in your payroll cost calculation, we recommend you update your calculation.

Payroll Cost Calculation – \$100,000 per Individual Cap

The new guidance confirms that, regarding compensation, only the amount exceeding an individual's annual salary of \$100,000, prorated as necessary, is excluded from the calculation of payroll cost. In other words, the additional amounts included in the calculation of payroll cost, such as employer payments for the provision of employee health care coverage and employer retirement contributions, are not subject to the \$100,000 cap.

Loan Forgiveness Calculation Change

The proceeds of a PPP loan can be used for payroll costs, rent payments, utility payments, and interest payments on debt obligations incurred before February 15, 2020, and the new guidance states that the payroll costs paid through the 8-week period following the loan disbursement date cannot be less than 75% of the amount qualifying for loan forgiveness. In other words, no more than 25% of the loan amount forgiven can be attributable to non-payroll costs. The CARES Act does not provide for this percentage limitation on the use of loan proceeds.

Signatures

The guidance confirms that e-signatures or e-consents can be used regardless of the number of owners.

Please contact your [BT advisor](#) with additional questions.