Update on two main loans for small businesses in the CARE Act (PPP and SBA Disaster Loan)

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|  | Hi Everyone,  I wanted to send out a brief email to catch us up on the two main loans for small businesses in the CARE Act.  More information has come out, and already some things have changed from a few days ago.  For example, you can now receive funds from both loan types.   See more below.  **Paycheck loan (grant) / PPP / SBA 7a / CARES Stimulus:**  The qualified loan amount is a little more complicated than just the last 12 months of wages times 2.5.  I've attached a spreadsheet labeled "PPP Paycheck loan application worksheet" (received this morning).  Each bank has their own version of this, so please talk to your banker before going too far with this one.  It would be extremely difficult to arrive at a solid loan amount without going through one of these worksheets.  A couple quick notes on the worksheet.  First, under the "Reductions" section of the qualified loan amount tab you will see "Taxes imposed or withheld under Chapters 21 or 24 of the IRC".  This is federal income tax withholding, social security, and medicare.  It may seem counterintuitive, but you need to deduct those amounts to arrive at your loan.  Second, I don't know that the banks are 100% certain on what will be required, so this worksheet may be modified or shown to be incomplete with more guidance from the fed.  **\*\*\*\*Some important caveats with regards to this loan**after talking to some of the bankers we work with.  This loan is scheduled to go live on Friday.  Some banks are accepting figures early, but the SBA should be accepting them on Friday.  There are concerns in the banking community with regards to manpower to process all of these loans, and if there is enough funding to meet the need (literally every single company is going to apply for "free" money).  Some bankers think there's a chance the application process even gets delayed.  The current takeaway seems to be this: go ahead and apply for this loan, and if you get the funding then great.  There is a chance this dries up way too fast or just becomes a dumpster fire of delays.  If you're retaining employees right now (the forgiveness of this loan may look at employee retention right now, not just after the loan is funded as some articles have suggested) with the expectation of receiving this money on the back end, you may actually be better off considering reductions in your workforce.  **Plan as if the money won't be available**, it might not be.**\*\*\*\***    **SBA Disaster Loan / EIDL:**  Not as much seems to be changing around this loan.  It's still 3.75%, and the payback period will be determined on a case by case basis.  This loan is for qualified borrowers, not everyone who applies will be accepted.  There is no restriction to what these funds are used for as long as it's not used for the same expenses the PPP funds are covering (if you get both).  You must apply directly on the sba website ([https://www.sba.gov/](https://urldefense.proofpoint.com/v2/url?u=https-3A__www.sba.gov_&d=DwQFaQ&c=euGZstcaTDllvimEN8b7jXrwqOf-v5A_CdpgnVfiiMM&r=YirIGe15AA03f_B4MgvYkt2TfYEm8Ig0YXsN3IxOj4E&m=pp7UudLGIt7IGGgBwwbmQ6UwqCoGZp8Dilf0-cL5J84&s=AlOnfGHJnkyVdeuvIAPxenkhjXZjSND-BS7P9HSsfZ4&e=)), but if you have a bank relationship I'd suggest starting there first to get their input as a lender and to check if they think it's a good idea.  If you do go to the website, I highly recommend gathering all the documentation you will need and completing the application in one day.  Apparently due to the high volume of applications the website is struggling to retain saved data and some of our clients have had to start a fresh app despite spending time and making progress previously.  **A few more comments / notes:**  - Currently you must make a good faith claim that your business is in some way being adversely impacted by COVID-19.  For most people that's probably pretty easy.  While not yet stated, it's expected that this good faith narrative will be required for both loans (currently only the EIDL has this requirement).  - After submitting your online application you should receive a confirmation email from the SBA.  The email will include your application number which you need to save as it will be used to forward additional documentation that may be required.  If you're getting stuck uploading certain files, you can try to move forward with the application and email those files with a reference to your application number after you've submitted.  - You may now receive both loans, but the PPP money needs to be used for qualified expenses (currently payroll, benefits, rent, utilities) and we're being told the best practice is to simply not mix the funds up in one account.  Open a new checking account for the PPP funds, and carefully spend these only on qualified expenses until it gets to zero.    **Layne Bodily, CPA, MSA**  **224-325-0474**  115 W. Orchard St., Itasca, IL 60143 |