

STEPS TO APPLY FOR THE PAYCHECK PROTECTION PROGRAM

& OTHER RESOURCES FOR
SMALL BUSINESSES DURING
THE COVID-19 CRISIS

For small businesses with 500 or fewer employees impacted by the COVID-19 crisis—including many nail salons, sole proprietors, nonprofits, and worker cooperatives—the Paycheck Protection Program (PPP) under the CARES Act will provide forgivable loans for payroll, utilities, rents and existing loan payments.

The goal of the PPP is to allow small businesses to continue paying workers. Therefore you must put at least 75% of the loan funds towards payroll for loan forgiveness. You can apply between 4/3/20 to 6/30/20, but loans are available on a first come, first serve basis so apply immediately. Independent contractors and self-employed individuals are also eligible, but applications are not open until 4/10/20.

[The 2-page application is available here.](#) Follow the below steps to apply.

1 GATHER DOCUMENTS TO CALCULATE PAYROLL

Each bank may have different requirements, but collect at least the following:

- 2019 IRS Quarterly 940, 941 or 944 payroll tax reports
- Schedules from 2019 tax return filed (or to be filed) showing income and expenses for sole proprietors
- Payroll reports for a twelve-month period (ending on your most recent payroll date), which will show the following information:
 - Gross wages for each employee, including officer(s) if paid W-2 wages.
 - Paid time off for each employee
 - Vacation pay for each employee
 - Family medical leave pay for each employee
 - State and local taxes assessed on an employee's compensation
- Documents showing total of all health insurance premiums paid by the company to all employee and company owner(s) under a group health plan
- Documents showing the sum of all retirement plan funding paid by the company to all employees and company owner(s)
- Organizational documents to show you are a business, such as articles of incorporation, DBA documentation for sole proprietors, or proof of ownership
- Documents showing operational expenses and revenue, including your lease or mortgage
- 1099s (for independent contractors)

2 CALCULATE PAYROLL COSTS

The maximum loan amount will be 2.5 times your average monthly payroll costs from the last 12 months for employees whose principal place of residence is the United States (if you were not in business between 2/15/19 - 6/30/19, use your average monthly payroll costs between 1/1/20 - 2/29/20).

- If any employee earns more than \$100,000/year, their payroll cost should be \$100,000.
- Although not clear from the current guidelines, LLC owners who work for the business probably can treat their monthly earnings as "payroll costs" even though they may not be "employees" under your state or federal law.
- Payroll costs for independent contractors of the business should **not** be included.
- For a sole proprietor or independent contractor, payroll costs will be based on: wages, commission, income, or net earnings from self-employment, capped at \$100,000/year.

3 TALK TO YOUR LOCAL BANK

Ask your bank if they are providing PPP loans. You can apply through any [SBA 7\(a\) lender](#) or any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. If your business/nonprofit is currently borrowing money from a lender, confirm with the lender that you can apply for PPP without affecting your existing loans.

Turn the page for more information! 

IMPORTANT PPP LOAN TERMS

- The loan has no fees and requires no guarantee or collateral.
- The interest rate is 1.00%. All payments start 6 months after you receive the loan, and the loan must be paid within 2 years.
- The loan will only be fully forgiven if:
 - You use the loan only for payroll costs (which must be at least 75% of the loan amount), business related mortgage interest, rent, and utilities. This amount must be spent during the 8-week period after receiving the loan.
 - Your full-time employees for 8 weeks is equal to or more than the average number of full time employees you paid from 2/15/19 – 6/30/19 or 1/1/20 – 2/29/20. Borrowers can choose which 8-week period, but must work with lenders to verify covered expenses.
 - You do not reduce the wages you pay employees by more than 25%.
- If you do not meet all criteria, the loan may not be fully forgiven.
- PPP is retroactive to February 15, 2020. Employers can use the funds to re-hire employees and still benefit from loan forgiveness.

ADDITIONAL RESOURCES

ASK YOUR ACCOUNTANT ABOUT THE CARES ACT

When your business/nonprofit is filing taxes, ask your accountant about the following sections of the CARES Act to lessen your tax burden:

- Section 2301: “Employee retention credit” (not applicable if you apply for the PPP)
- Section 2302: Delay of payment of employer payroll taxes
- Section 2303: Modifications for net operating losses

OTHER IMMEDIATE FINANCIAL OPTIONS

Click on the names of the funds below to apply!

[ECONOMIC INJURY DISASTERS LOANS \(EIDL\)](#)

- Provides \$10,000 emergency advance that businesses do not have to pay back and funds low-interest loans to cover rent, salaries, and operating expenses. The EIDL loan cannot be used for the same purposes as the PPP loan. The maximum term of repayment is 30 years, with an interest rate of 3.75% for small businesses and 2.75% for nonprofits.
- Borrowers can borrow up to \$2 million, which is not forgivable but can be more flexible than PPP in the types of expenses it covers.
- If you previously received an EIDL loan and used it 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.

[CITY OF BOSTON SMALL BUSINESS RELIEF FUND](#)

- Applications open April 6, 2020 and funds are limited.

