



HAYASHI | WAYLAND

April 6th, 2020

To Our Valued Clients:

In an effort to help businesses maintain employees through the COVID-19 pandemic, the federal government established the CARES Act which provides \$349 billion for the Small Business Administration (SBA) Business Loan Program, also known as the Paycheck Protection Program. This program provides emergency loans to small businesses and nonprofits, is 100% guaranteed by the SBA, and contains a provision to forgive the debt.

For a short video explaining the Paycheck Protection Program [click here](#).

The Treasury Department has released guidance, information and the borrower application for the Paycheck Protection Program. Please [click here](#) for the full guidance and [click here](#) for the Loan Application recently released by the Treasury.

When can I apply?

Starting April 3, 2020, small businesses and sole proprietorships can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders.

Starting April 10, 2020, independent contractors and self-employed individuals can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders.

You can apply through any existing SBA lender or through most federally insured depository institutions, federally insured credit union, and Farm Credit System institution that is participating. Other regulated lenders will be available to make these loans once they are approved and enrolled in the program. You can also visit www.sba.gov for a list of SBA lenders.

Who can apply?

All businesses – including nonprofits, veterans' organizations, Tribal business concerns, sole proprietorships, self-employed individuals, and independent contractors – with 500 or fewer employees can apply. Businesses in certain industries can have more than 500 employees if they meet applicable SBA employee-based size standards for those industries ([click here](#) for additional detail).

You must have been in operation on February 15, 2020 and either had employees for whom you paid salaries and payroll taxes, or paid independent contractors, as reported on a Form 1099-MISC.



Even if you meet those requirements, you are ineligible if:

- You are engaged in any activity that is illegal under federal, state, or local Law
- You are a household employer
- An owner of 20 percent or more of your business is incarcerated, on probation, on parole; presently subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction; or has been convicted of a felony within the last five years
- You, or any business owned or controlled by you or any of your owners, has ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is currently delinquent or has defaulted within the last seven years and caused a loss to the government

What do I need to apply?

You will need to complete the Paycheck Protection Program loan application and submit the application with the required documentation to an approved lender that is available to process your application by June 30, 2020. [Click here](#) for the application.

You will need to submit SBA Form 2483 along with documentation. Your lender will provide guidance on what documentation they need, but we suggest preparing the following information:

- Your 2019 financials including income statement, balance sheet and tax return if filed
- Your quarterly 940, 941 or 944 IRS payroll forms for 2019
- Payroll reports starting with your most recent payroll and then going back twelve months. For seasonal employers, it would be a good idea to have your payroll averages from February 15, 2019 through June 30, 2019
- Documentation showing the payment of any retirement benefit funded by your company but exclude any payments from employees toward their retirement benefits
- Documentation showing group health insurance premiums paid by your company under a group health plan

We are happy to discuss any questions or comments you may have, please [contact](#) any of our offices. We have a dedicated team working to respond to your questions as quickly as possible.

What is the maximum loan amount?

The amount a business is able to receive is 2.5 times the average monthly payroll expense over the past twelve months. However, the total loan amount cannot exceed \$10 million. So, if your average monthly payroll expense is \$100,000 you are eligible for a \$250,000 loan.



For the purposes of calculating monthly payroll costs, you can include:

- Salary, wage, commission, or similar compensation
- Cash tips or the equivalent
- Group health care benefits including premiums
- Retirement benefits
- Allowance for dismissal or separation
- Payment of state and local taxes on employee compensation
- Costs associated to vacation, parental, family, medical or sick leave

For self-employed, sole-proprietors or independent contractors, you can include wages, commissions, income, or net earnings from self-employment or similar compensation, capped at \$100,000 on an annualized basis.

The following payroll costs cannot be included:

- Compensation of an individual employee in excess of an annual salary of \$100,000, as prorated for the period February 15th to June 30th of 2020
- Costs for independent contractors
- Federal employment taxes imposed or withheld between February 15th and June 30th of 2020, including the employee's and employer's share of FICA and Railroad Retirement Act taxes, and income taxes required to be withheld from employees
- Any compensation of an employee whose principal place of residence is outside of the United States
- Any qualified sick leave or family medical leave for which a credit is allowed under the new Families First Coronavirus Response Act

What are the terms?

The term of the loan is 2 years at a 1% fixed rate.

Lenders are required to defer loan payments for a period of 6 months, but lenders are able to extend this to one year. Even though you don't have to make payments, interest will still accrue during this time.

What can you use the funds for?

The funds can be used for payroll, costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, insurance premiums, mortgage interest, rent, utilities, interest on other debt that existed as of Feb. 15, 2020 and refinancing an Economic Injury Disaster Loan made between January 31st and April 3rd of 2020.

Debt Forgiveness:

A major benefit of the Paycheck Protection Program is its debt forgiveness provision. The amount eligible for debt forgiveness is the sum of payments made within the first 8 weeks period of the loan for payroll costs, and rent, leases, utilities and interest on mortgages that were in effect before Feb. 15, 2020.



The forgiveness provision is dependent on the business maintaining employees. The forgivable amount will be reduced if the business reduces its workforce by 25% as compared to the prior year and/or reduces the salary or wages paid to employees who earn less than \$100,000 by 25% of their prior year's compensation during the covered period. To encourage employers to rehire any employees who have already been laid off due to the crisis, borrowers that re-hire workers previously laid off will not be penalized for having a reduced payroll at the beginning of the period.

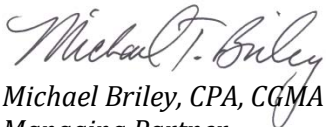
It is important to note that any debt forgiven will not be included in taxable income.

Closing

We realize that this is a tremendous amount of information and you may be feeling overwhelmed by it all. We are here to help in any way we can. Please don't hesitate to contact the HW partner or team member you work with for assistance or with any questions you may have. We continue to operate all our offices with our staff working remotely to assist you. Thank you for allowing us to serve you. We are honored to remain your trusted advisor.

Wishing you health and peace of mind.

Sincerely,



Michael Briley, CPA, CGMA
Managing Partner
Hayashi Wayland

