

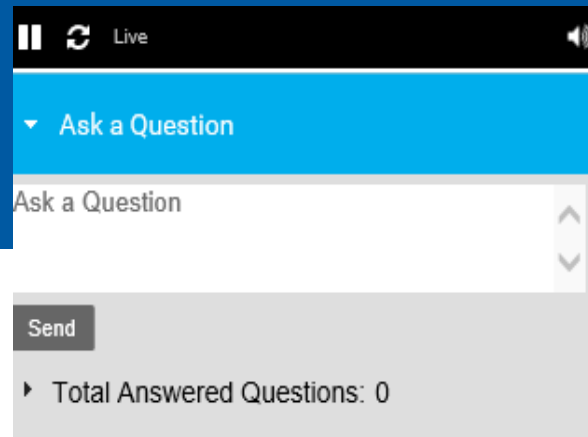
Navigating the Paycheck Protection Program (PPP)

Frequently Asked Questions



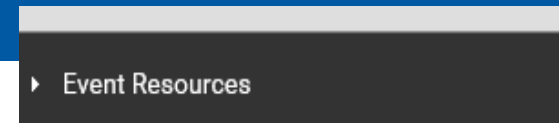
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Today's Host

Thad Inge

Sr. Manager, Government Relations

Thad Inge joined Paychex in 2016 and is based in Washington, D.C., where he serves as Senior Manager for Government Relations. As part of his portfolio, Thad works closely with Congress, the Executive Branch, trade associations, and public policy organizations to monitor and advance policies of importance to Paychex and its small business customers.



Today's Speaker

Mike Trabold

Director of Compliance

Mike Trabold is the Director of Compliance Risk Management for Paychex. In his role, Mike directs the compliance and regulatory activities of the company, as well as manages the company's relationships with various federal, state, and local regulators and tax agencies.



Today's Speaker

Connor Mykins

Compliance Analyst

Connor Mykins is a compliance analyst at Paychex. A Certified Anti-Money Laundering Specialist, Connor has over 10 years of experience in the financial services industry.

Agenda

1 Overview: Small Business Lending and Grants

2 SBA Economic Injury Disaster Loans

3 The Paycheck Protection Program (PPP)

4 What We're Hearing

5 Q&A and Helpful Resources

Small Business Lending and Grants

Economic Injury Disaster Loans

Provides low-interest federal disaster loans for working capital to be provided to small businesses suffering substantial economic injury as a result of the COVID-19 (coronavirus) pandemic.

Applications now being accepted on SBA website. More information available on www.Paychex.com/WORX.

Subsidy for Certain Loan Payments

Small businesses with non-disaster loans will also be eligible for relief under the CARES Act.

Non-disaster loans include 504 loans, microloans and 7(a) loans not made under the Paycheck Protection Program.

Paycheck Protection Program

Small businesses and eligible nonprofit organizations, veterans' organizations, and tribal businesses described in the Small Business Act, as well as individuals who are self-employed or are independent contractors, are eligible if they meet program size standards.



SBA Economic Injury Disaster Loans



Frequently Asked Questions

What is an Economic Injury Disaster Loan (EIDL)?

The Small Business Administration is offering low-interest federal disaster loans for working capital to small businesses suffering substantial economic injury as a result of the COVID-19 pandemic. These loans:

- Are direct loans from the SBA and you apply on SBA's website. You do not go through a bank;
- Offer up to \$2 million in assistance and may be used to pay fixed debts, payroll, accounts payable and other bills that can't be paid because of the disaster's impact;
- Are available at an interest rate of 3.75% for small businesses and at an interest rate of 2.75% for non-profits; and
- Offer long-term repayments in order to keep payments affordable, up to a maximum of 30 years; terms are determined on a case-by-case basis.

Currently, the SBA is also offering the option to defer payments in the first year. Interest would accrue during this time if this option is chosen.

Frequently Asked Questions

What changes has the CARES Act made to the EIDL program?

- Enhancements included a \$10,000 cash advance/grant that can be spent on:
 - Paid leave;
 - Maintaining payroll;
 - Increased costs due to supply chain disruption;
 - Mortgage or lease payments; or
 - Repaying obligations that cannot be met due to revenue losses.

If denied for the EIDL loan, the applicant does not have to repay the advance/grant.

- For loans made before December 31, 2020, the SBA is waiving:
 - Any personal guarantee on advances and loans below \$200,000;
 - The requirement that an applicant needs to have been in business for the 1-year period before the disaster; and
 - The “credit elsewhere” requirement.
- Loans can be made based solely on credit scores, or an alternative method, based on the applicant’s ability to repay.

Frequently Asked Questions

How do I apply for an EIDL?

- Small businesses can apply for EIDL loans directly with SBA's Office of Disaster Assistance.
- The EIDL application can be found here: www.covid19relief.sba.gov.
- Additional information can be found here: www.sba.gov/funding-programs/disaster-assistance.
- Contact the SBA disaster assistance customer service center at 1-800-659-2955 or via e-mail at disastercustomerservice@sba.gov if you have additional questions.



The Paycheck Protection Program (PPP)



Frequently Asked Questions

What is the Paycheck Protection Program?

A federal stimulus program designed to provide quick access to SBA loans for companies with 500 or fewer employees to assist with payroll and operating costs during short-term business disruption caused by the COVID-19 pandemic.

PPP has a host of attractive features:

- Forgiveness of up to 8 weeks of payroll based on employee retention and salary levels;
- No SBA fees; and
- At least six months of deferral with maximum deferrals of up to a year.

Frequently Asked Questions

How does the Paycheck Protection Program work?

Generally, businesses with not more than 500 employees are eligible for up to \$10 million in loans, which can be used for payroll and other expenses, such as insurance premiums, mortgage interest, rent or utilities.

A portion of the loan (up to 8 weeks of covered costs) is eligible for forgiveness (does not need to be repaid) if certain conditions are met.

Recipients of a loan made under the Paycheck Protection Program will be eligible for loan forgiveness in an amount equal to the sum of the following costs incurred, and payments made, during an 8-week period beginning on the date of receipt of the loan from the lender:

- Payroll costs (including employee benefits);
- Interest payments on any covered mortgage obligation incurred before Feb. 15, 2020;
- Payment of rent under a lease in force prior to Feb. 15, 2020;
- Utility payments for which service began before Feb. 15, 2020.

Any loan amounts not forgiven at the end of one year is carried forward as an ongoing loan with terms of a max of 2 years, at a max of 1% interest.

Frequently Asked Questions

How do I know if I am eligible for a loan under the Paycheck Protection Program?

You are eligible if you are:

- A small business with not more than 500 employees, or you qualify as a small business of concern according to SBA definition.
- A small business that otherwise meets the SBA's size standard.
- A 501(c)(3) with 500 or fewer employees.
- An individual who operates as a sole proprietor.
- An individual who operates as an independent contractor.
- An individual who is self-employed who regularly carries on any trade or business.
- A tribal business concern that meets the SBA size standard.
- A 501(c)(19) veterans' organization that meets the SBA size standard.

In addition, some special rules may make you eligible:

- If you are in the accommodation and food services sector (NAICS 72), the 500-employee rule is applied on a per physical location basis.*

** The 500-employee threshold includes all full-time employees, part-time employees, and employees of any other status (i.e. employees currently on leave, temporary employees, day laborers supplied by a temp agency).*

Frequently Asked Questions

Can I apply for both the PPP and for an SBA EIDL?

- Receiving an EIDL loan does NOT preclude you from applying for a PPP loan. HOWEVER, you cannot use an EIDL loan for the same purpose as an PPP loan (i.e., you cannot use both loans for the same payroll expenses).
- You may refinance an EIDL loan with a PPP loan. If you ultimately receive a PPP loan or refinance an EIDL into a PPP loan, any advance amount received under the Emergency Economic Injury Grant Program would be subtracted from the amount forgiven in the PPP.

What kind of expenses does the PPP loan cover?

Eligible Expenses:

- Payroll costs.
- Costs related to continuation of group health care benefits during periods of paid sick, medical or family leave, and insurance premiums.
- Payments of interest on any mortgage obligation (not including mortgage principal or interest pre-payments).
- Rent.
- Utilities.
- Interest on any other debt obligation that was incurred before the covered period.

“Payroll Costs” means compensation paid to employees that is:

- Salary, wages, commission, or similar compensation
- Payment of cash tip or equivalent
- Payment for vacation, parental, family, medical or sick leave
- Allowance for dismissal or separation
- Payment required for the provisions of group health care benefits, including insurance premiums
- Payment of any retirement benefits, or
- Payment of state and local tax assessed on the compensation of employees

...but does **not** include:

- Compensation of any individual employee in excess of an annual salary of \$100k, prorated for the covered period
- Taxes withheld under Ch. 21,22, or 24 of IRC
- Wages paid outside of United States.
- Families First paid sick leave or family leave for COVID purposes (Note: this is paid by government via employment tax credit)

Frequently Asked Questions

What will lenders be looking for?

Whether the borrower was in operation before February 15, 2020 and had employees for whom they paid salaries and payroll taxes, or paid independent contractors.

Lenders will also ask applicants for a good faith certification that:

- The uncertainty of current economic conditions makes the loan request necessary to support ongoing operations;
- The borrower will use the loan proceeds to retain workers and maintain payroll or make mortgage, lease, and utility payments;
- The borrower does not have an application pending for a loan duplicative of the purpose and amounts applied for here; and that
- The borrower has not received a loan duplicative of the purpose and amounts applied for from Feb. 15, 2020 to Dec. 31, 2020.

Note: There is an opportunity to fold emergency loans made between Jan. 31, 2020 and the date this loan program becomes available into a new loan.

If you are an independent contractor, sole proprietor, or self-employed individual, lenders will also be looking for certain documents (to be announced by the government) such as payroll tax filings, Forms 1099-MISC, and income and expenses from the sole proprietorship.

Frequently Asked Questions

What are the loan terms?

- No personal guarantee or collateral is required.
- Loans are 100% guaranteed by the government.
- No “credit elsewhere” tests (normally required for SBA).
- No borrower fees. No prepayment penalties.
- Loans are non-recourse against owners/shareholders so long as used for authorized purposes.
- If not forgiven, loan balance is payable over 2 years at no more than 1% interest. Initial payments are deferred for at least 6 months.

Loans can be up to 2.5 x the borrower's average monthly payroll costs, not to exceed \$10 million.

Payroll Costs =
Sum of Included Payroll Costs – Sum of Excluded Payroll Costs

Frequently Asked Questions

How much can I borrow?

<p>INCLUDED:</p> <p>The sum of payments of any compensation with respect to employees that is a:</p> <ul style="list-style-type: none">• Salary, wage, commission, or similar compensation;• Payment of cash tip or equivalent;• Payment for vacation, parental, family, medical, or sick leave;• Allowance for dismissal or separation• Payment required for the provisions of group health care benefits, including insurance premiums;• Payment of any retirement benefit• Payment of state or local tax assessed on the compensation of the employee.	<p>EXCLUDED:</p> <ul style="list-style-type: none">• Compensation (salary, wages, tips, commissions etc.) of an individual employee in excess of an annual salary of \$100,000, as prorated.• Any compensation of an employee whose principal place of residence is outside of the United States;• Qualified family leave or sick leave wages under the Families First Coronavirus Response Act.• Employer contributions to group health, retirement, state and local taxes.
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Note For Sole Proprietors, Independent Contractors, and Self-Employed Individuals: The sum of payments of any compensation to or income of a sole proprietor or independent contractor that is a wage, commission, income, net earnings from self-employment, or similar compensation and that is in an amount that is not more than \$100,000 in one year, as pro-rated for the covered period.

Frequently Asked Questions

How do I apply for the Paycheck Protection Program?

To apply, businesses must:

1. Be prepared to provide documentation.
2. Contact an authorized SBA lender.
3. Complete an application.

Frequently Asked Questions

How is Paychex helping its payroll clients?

Paychex has created a report that is currently available for Paychex Flex® users, clients not on Paychex Flex, and former clients to help make applying for a Paycheck Protection Program loan simpler.

This specialized report has the payroll cost calculations that you'll need to be able to complete the PPP loan [application](#) found on www.treasury.gov.

To apply, you only need two numbers from this report: the **Average Monthly Payroll** and **Number of Jobs** (workers).

Paycheck Protection Program Data

Time Run: 04/07/2020 10:28:16 PM

User ID: Michael Trabold

Check Dates: 01/01/2019 - 12/31/2019

Average Monthly Payroll (per PPP Loan rules)	\$679,020.50
Paychex Processed Wages Avg.	\$671,782.28
On-boarding Wages Avg.	\$715,211.64
Average Monthly Employees Paid	140

Detailed breakdown of payroll data used to calculate Average Monthly Payroll

Company ID	Company Name	Month	Employee Earnings	State/Local Taxes Assessed	Employer Benefits Costs*	Total Excess Comp deducted from loan amt potential	Number of Employees with non-US principal residences	Total Comp for Employees with non-US principal residences	Total Payroll Costs
12345678	TRABOLD LANDSCAPING	Jan 2019	\$739,702.18	\$8,552.36	\$6,147.72	\$0.00	0	\$0.00	\$754,402.26
12345678	TRABOLD LANDSCAPING	Feb 2019	\$662,805.24	\$7,662.94	\$5,552.84	\$0.00	0	\$0.00	\$676,021.02
12345678	TRABOLD LANDSCAPING	Mar 2019	\$688,170.56	\$2,725.64	\$5,927.66	\$0.00	0	\$0.00	\$696,823.86
12345678	TRABOLD LANDSCAPING	Apr 2019	\$687,104.96	\$914.11	\$5,986.67	\$0.00	0	\$0.00	\$694,005.74

Note: New SBA guidance will not affect those who have already applied for loans.

Frequently Asked Questions

Is it true my loan will be forgiven?

A loan recipient is eligible for forgiveness of loan indebtedness for certain costs incurred and payments made during the 8-week period immediately following the disbursement of loan proceeds.

Costs included in forgiveness amount:

- Payroll costs.
- Interest on mortgage (in existence before 2/15/20, does not include mortgage principal or prepaid interest).
- Rent (lease obligation existing before 2/15/20).
- Utilities (electricity, gas, water, transportation, telephone, and internet access, for which services began before 2/15/20).

Limits:

- Not more than 25% of forgiveness may be attributable to non-payroll costs.
- Forgiveness amount cannot exceed the principal amount of the loan.
- Forgiveness amount is subject to reductions based on (1) reduction in the number of FTEs; and/or (2) reduction in the amount of salary or wages, with an important exception for rehires.

What are we hearing?

Questions?



Additional Resources

[Centers for Disease Control and Prevention \(CDC\)](#)

- Interim guidance for businesses and employers
- Cleaning and disinfecting recommendations

[World Health Organization \(WHO\)](#)

- How to protect yourself
- Situation updates

[Small Business Administration \(SBA\)](#)

- Planning and responding to COVID-19
- Economic Injury Disaster loan program

[US Dept. of Labor \(DOL\)](#)

- FLSA and wage/hour guidelines
- FFRCA Q&A

[Equal Employment Opportunity Commission \(EEOC\)](#)

- Hiring during the COVID-19 pandemic

[Occupational Safety and Health Administration \(OSHA\)](#)

- Guidance for employers on control and prevention of COVID-19 in the workplace

Be sure to check your local city, county and state websites for additional, up-to-date guidelines surrounding COVID-19.



Paychex Resources

[Paychex.com/support/coronavirus](https://paychex.com/support/coronavirus)

- Responding to COVID-19 at work
- Families First Coronavirus Response Act
- Payroll processing
- Financial assistance tools and resources
- Health insurance and workers' compensation

[Paychex's State-by-State COVID-19 Resource Page](https://paychex.com/covid-19)

With information evolving rapidly about COVID-19, almost every state (and Washington, D.C.) has developed a resource page to address the specific FAQs of its residents, as well as unemployment insurance benefits, paid leave laws, closures, and more. Paychex has consolidated these resources into one, simple page.

[Paychex.com/WORX](https://paychex.com/WORX)

Provides the latest recommendations and instructions from trusted sources that could help protect your business and employees. Topics include:

- Business contingency planning;
- How to update handbook and workplace policies;
- Evolving federal, state, and local leave laws that cover sick leave, paid leave, and much more.

Thank You!



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