



U.S. Small Business
Administration



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SBA Program Updates

Economic Injury Disaster Loans

Economic Injury Disaster Loan Advance

Paycheck Protection Program

May 6, 2020

First Round of Funding

Economic Injury Disaster Loans and Advances

As of April 24, 2020

National

- Loans Approved
 - 38,984 loans
 - \$7.967 billion
- Advances Processed
 - 1,192,519
 - \$4.8 billion

Kansas

- Loans Approved
 - 202 loans
 - \$42.89 million
- Advances Processed
 - 7,994
 - \$34.3 million

First Round of Funding

Paycheck Protection Program

As of April 16, 2020

National

- Loans Approved
 - 1,661,367 loans
 - \$342.3 billion

Kansas

- Loans Approved
 - 26,245 loans
 - \$4.29 billion

Second Round – 9:30 AM April 27 through May 1

2,211,791 approved for \$176 billion **nationally**

18,470 loans approved for \$815 million in **Kansas**

Lenders < \$10 billion in assets: 857,682 loans for > \$55 billion

Lenders \$10 - \$50 billion in assets: 326,284 loans for > \$27 billion

Changes with latest funding

- \$320 billion for PPP
 - \$30 billion designated for lenders with assets < \$10 billion
 - \$30 billion designated for lenders with assets >\$10 billion < \$50 billion
- \$60 billion to EIDL
 - \$10 billion for advances
- Agricultural enterprises are now eligible for EIDL and **may apply this week**. Go to <https://covid19relief.sba.gov/#/>

Current Status of EIDL and Advances

As of May 5, 2020

- SBA is processing EIDL loan and advance applications that were already in the system on a first come, first-served basis
- Currently, the SBA is **only accepting new applications** from **agriculture related** businesses for EIDL
- When SBA resumes taking new applications from non-agricultural businesses, you can apply online at www.sba.gov/disaster

I Applied for EIDL & Advance Already...Now What?

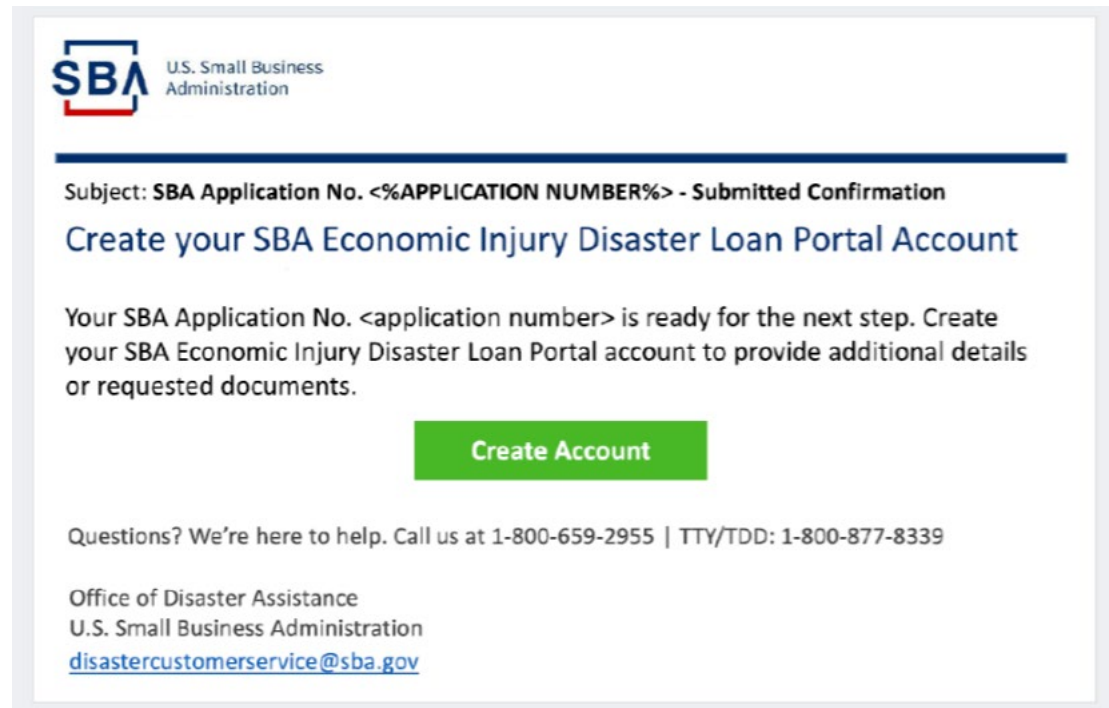
As of May 5, 2020

- We do not have the ability to check the status of your application, either locally or at the Disaster Customer Service Center: 1-800-659-2955 or disastercustomerservice@sba.gov
- If your application begins with “3” it is currently being processed
- At this time you will NOT receive any communication from SBA
- You may notice a credit inquiry – EIDL loans do have a credit score requirement (PPP does not)
- If you are approved for an advance, it will show up in your bank account in the amount of \$1,000 per employee you reported on the application (up to \$10,000)

I Applied for EIDL & Advance Already...Now What?

As of May 5, 2020

- After receiving the advance, you will either be approved or declined for a full loan
- If you are approved (may be a week or longer after seeing the advance) you will receive an email from SBA inviting you to create a loan portal account



EIDL Portal

- You will be presented with a min and max amount
- Use the sliding scale to adjust your desired amount
- Loan breakdown will show you the terms and payment amount based on the total loan

Select Amount

\$500,000.00

Amount of Loan

\$1,000 \$500,000

Choose loan amount between \$1,000.00 and \$500,000.00

LOAN BREAKDOWN

Term	Interest Rate	Payment Frequency
30 Year(s)	3.75%	Monthly
Repayment Start	Third Party Filing Fee	Payment Amount
12 Months After Closing	\$100.00	\$2,437.00

Accept Cancel

EIDL Portal

- When you have confirmed your loan amount, submit for processing
- You should then receive communication from a loan processor
- Once your loan package is complete you will return to the portal to sign the closing docs
- Funds are disbursed within 5 days

The screenshot displays the SBA EIDL Portal interface. At the top, the SBA logo and "U.S. Small Business Administration" are visible. The navigation bar shows three stages: APPLICATION (highlighted in red), PROCESSING, and FUNDING. Below the navigation bar, there are two main sections. The first section, "Your Quote", shows a status of "Amount Confirmed" for a loan amount of "\$500,000" with a "Change Amount" link. A "Submit for processing" button is located to the right. The second section, "Steps to Complete", lists three tasks: "Verify Identity" (Completed) with a "View" button, "Electronic Disbursement" (Completed) with an "Edit" button, and "Sign Closing Documents" (Not Started) with a "Start" button. A yellow highlight is drawn around the "Sign Closing Documents" section.

What If I Don't Receive the Email for the Portal?

As of May 5, 2020

- You may receive an advance for EIDL if eligible, but you still could be declined for a full loan at any point in the process
- Reasons for decline
 - Credit history
 - Not an eligible business activity (based on NAICS code)
 - Delinquent child support (more than 60 days)
 - Economic injury is not substantiated (EIDL advance is more than a loan would be)
 - Character reasons (criminal activity)
 - Unverifiable information
 - Applicant withdraws or fails to proceed (not sure on the time limit yet)
- If you are declined, you will receive an email or letter with options to request for reconsideration

PPP Details – Eligible Businesses

As of May 5, 2020

- Most businesses including non-profits, agricultural enterprises, those that derive income from legal gambling
- Hospitals if they receive <50% of funding from state and local government, not counting Medicaid, and are exempt from taxation under section 115 of the Internal Revenue Code
- Businesses that are not eligible include financial services (if they derive >50% of income from loans, investments, etc.), marijuana (direct growers/sellers), prurient sexual nature
- Self-employed businesses that were too “new” to file schedule C for 2019 but will for 2020 – although eligible, guidance is not available to determine loan amounts

PPP Details – Loan Amount Calculations

As of May 5, 2020

Self-employed, no employees:

- 2019 Schedule C, line 31 net profit (capped at \$100,000)
- Average monthly net profit line 31 / 12 x 2.5 = **max loan amount** (\$20,833)
- Forgiveness is 8 weeks owner compensation + qualified expenses
 - Owner compensation = 2019 Schedule C, line 31 net profit / 52 weeks
 - Amount from above x 8 weeks = max owner compensation (\$15,385)
- Other qualified expenses (25% of loan) are allowable for the following items that you claimed or are entitled to claim a deduction for on the 2019 Schedule C including:
 - Mortgage interest payments on real or personal property (business buildings, interest on auto loan for business vehicle)
 - Business rent
 - Business utilities (with a service agreement in place before Feb. 15, 2020)
 - Interest on any other debt incurred before Feb. 15 are qualified, but not forgivable

PPP Details – Loan Amount Calculations

As of May 5, 2020

Self-employed with W-2 employees (not for partners in partnership)

- 2019 Schedule C, line 31 net profit capped at \$100,000
- +
• 2019 gross wages and tips (2019 941, line 5c – column 1 for each quarter) capped at \$100,000 per employee, reduced for any non-US residents
- +
• 2019 Schedule C line 14 employer contributions to health insurance
- +
• 2019 Schedule C line 19 employer contributions to retirement plans
- +
• 2019 employer state and local taxes assessed on employee compensation (unemployment)

Divide the total above by 12 for monthly payroll x 2.5 = **max loan amount**

Forgiveness on owner compensation will be limited to 8 weeks 2019 net profit (line 31 / 52 weeks x 8, max of \$15,385)

PPP Details – Loan Amount Calculations

As of May 5, 2020

Farmers – use schedule F line 34 in place of schedule C line 31

Partnerships – one application for the partnership, individual partners should not apply

- 2019 Schedule K-1 box 14a net earnings (reduced by section 179 expenses) multiplied by 0.9235 (remove employer share of self-employment tax) up to \$100,000 per partner + 2019 payroll expenses for employees (covered in previous slide) = 2019 Total Payroll Expense
- 2019 Total Payroll / 12 = avg monthly payroll x 2.5 = **max loan amount**

S or C corporations

- 2019 employee payroll expenses following all previous guidance
- Total payroll expense / 12 x 2.5 = **max loan amount**

Non-profits – same as S or C, unclear for those with no employees

LLC – choose the scenario that applies to your tax filing situation

Seasonal employers: 12-week period Feb. 15 or March 1, 2019 to June 30, 2019 or any consecutive 12-week period May 1 – Sept. 15, 2019

PPP Loan Amount Documentation

As of May 5, 2020

Lenders will determine additional documentation needs.
Common forms are:

- W2s or W3s
- Payroll processor reports
- Quarterly or annual tax reports
 - Use the above if no IRS Form 941
- IRS Form 944 for very small businesses
- IRS Form 943 for agricultural businesses
- Records from a retirement administrator for a self-insured plan

How should I use the PPP funds?

As of May 5, 2020

- **Payroll expenses** – you must use **at least 75%** of these funds for employee compensation during the 8-week period

See **pages 10-11** of Interim Final Rule that defines qualifying payroll costs and excluded costs:

<https://home.treasury.gov/system/files/136/PPP--IFRN%20FINAL.pdf>

- Qualified business expenses (*for self-employed, must qualify for deduction on Schedule C*)
 - Mortgage interest (not principal, no pre-payment)
 - Rent
 - Utilities (with service agreement)
 - Interest on any other debt obligations incurred before Feb. 15 (not forgivable for self-employed)
 - Refinancing EIDL loan made before April 3 if used for payroll

When should I use the PPP funds?

As of May 5, 2020

- Immediately for the 8 weeks beginning on the day you receive the funds
 - The 8 weeks cannot be delayed if a business is still closed due to local orders
- Lenders must make one, full disbursement within 10 calendar days of receiving SBA loan number
- If a borrower fails to provide needed documentation to the lender within 20 days of receiving SBA loan number, the loan will be cancelled

What else should I know about PPP funds or forgiveness?

As of May 5, 2020

- You must maintain FTE count equivalent to your average FTE count in 2019 – either the same time frame average or the 2019 average
- You must maintain employee wages during this timeframe (cannot reduce more than 25%)
- For any staff level changes made between February 15 and April 26, 2020, you will need to rehire
- If you cannot maintain FTEs or wages, the amount of forgiveness will be reduced. Unless you offered to re-hire the same employee (*same hours, wage*) but the employee declined to return. You must document the offer and employee's response.
- More guidance to come on forgiveness...

Using both EIDL and PPP

As of May 5, 2020

EIDL

- Financial & operating expenses
- Up to \$2 million
 - 3.75% interest
 - 2.75% interest for non-profits
 - 30 years, 12 months deferred
- Advance forgiven, loan is not
- Advance = \$1,000/employee up to \$10,000

PPP

- Payroll 75% and certain operating expenses
- Up to \$10 million
 - 1% interest
 - 24 months, 6 months deferred
- Forgivable when used properly
- Amount of EIDL advance reduces the amount that can be forgiven

Using both EIDL and PPP

As of May 5, 2020

- It is very important to use your PPP funds for payroll and qualified expenses FIRST and over the period of 8 weeks before using EIDL for similar expenses
- PPP can be used to pay debt interest only, EIDL can be used to pay principal. For both there is no pre-payment allowed

Other Relief Program Implications

As of May 5, 2020

- In PPP you cannot receive forgiveness for qualified sick leave amount or qualified family leave equivalent claimed under section 7002 and 7004 of the Families First Coronavirus Response Act
- **IRS employee retention credit** – fully refundable tax credit for employers equal to 50% of qualified wages, max credit \$5,000 per employee. Not compatible with PPP.
See: <https://www.irs.gov/coronavirus/coronavirus-tax-relief-for-businesses-and-tax-exempt-entities>

Additional SBA Debt Relief Options

As of May 5, 2020

- For current borrowers with other SBA products (regular 7(a) programs and 504 loan) SBA will make payments to the lender on behalf of the borrower for 6 months. Payments will include principal, interest and any borrower fees.
- Borrowers may request 6 months deferment of payments on existing SBA loans
- Borrowers that have already requested 6 months deferment will also receive 6 months payments to the lender from SBA at the end of the deferment period
- New 7(a) and 504 loans made through September 27, 2020 will be provided the same debt relief benefits

For PPP guidance, Fact Sheets, FAQ's go to this webpage:

<https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>

U.S. Small Business Administration

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Kansas SBDC is hosting COVID-19 Assistance & Recovery Webinars
Please go to www.kansassbdc.net/covid19 to learn more.