



# Paycheck Protection Program

## NEW GUIDELINES

Jeri Denniston  
Yavapai College SBDC



# The PPP Loan

**From:** 2 year term loan at 1% interest

**To:** 5-year term loan at 1% interest

**From:** First payment deferred 6 months

**To:** First payment deferred 10 months

**From:** Forgiveness period of 8 weeks

**To:** Forgiveness period of 24 weeks



*\*The loan can be forgiven if it is used in accordance with the forgiveness rules.*

# Forgiveness Rules

**From:** 75% minimum to be used on payroll

**To:** 60% minimum to be used on payroll

**From:** From 25% on other expenses

**To:** To 40% on other expenses

**From:** Deadline of June 30 to apply and use

**To:** Deadline of December 31, 2020



*\*Note – You cannot use another SBA loan product for payroll for those same costs in that 24-week period.*

# Payroll

- Wages, Salaries, Commissions, Tips
- State and local taxes\*
- Employee vacation
- Parental, Family and Sick Leave
- Employer-paid retirement \*\*
- Employer-paid health benefits \*\*

\* Note- Federal taxes are not included

\*\* Self-employed are not included



[This Photo](#) by Unknown Author is licensed under [CC BY-SA-NC](#)

# Payroll

- ❑ Must retain or hire back the **same number** of employees to pre-pandemic levels using one of following date ranges:
  - February 15, 2019 – June 30, 2019
  - January 1, 2020 – February 29, 2020
  - **Seasonal employees** – a consecutive 12 week period between May 1, 2019 and September 15, 2019
  
- ❑ Must maintain the **same salary levels** as before Feb. 17
  - *Loan can still be forgiven if you can show documented proof of "Best Efforts" to bring employees back to the same number and salary level.*
  - *And /or show documented proof that you could not due to following CDC guidelines for sanitizing and social distancing.*



# Other Expenses

- Mortgage – Interest only
- Rent
- Utilities (electric, gas, internet)
- Transportation (fuel for trucks, cars)

\***Not forgivable**: Interest payments for loans incurred before 2/15/2020



# Additional Changes

- ❑ Repeals a provision in the CARES Act that barred companies with forgiven PPP loans from deferring their payroll tax payments.
- ❑ Borrowers may defer principal and interest payments on PPP loans until the SBA compensates lenders for any forgiven amount.
- ❑ Borrowers that don't apply for forgiveness would be given at **least 10 months after the program expires (Dec. 31, 2020)** to start making payments.
- ❑ Borrowers and lenders may extend from 2 years to 5 years current PPP loans issued prior to this measure being enacted.

# Tracking & Documentation

- Deposit and pay from a separate business account
- Keep a spreadsheet of all payments
- Independent contractors/self employed should write themselves checks made out to them, *not cash*
- Third party verification will be required for forgiveness
  - Bank Statements
  - Cancelled checks
  - 3<sup>rd</sup> party Payroll processor records

# What happens with funds not forgiven?

- Funds that are not forgiven are carried forward as an ongoing loan (5-year term, 1% interest rate)
- Principal and interest will be deferred for **10 months** *after* the SBA reimburses lender for forgiven amount
- No pre-payment penalty

# SBDC Services

Free Confidential  
Counseling



Affordable  
Workshops



Local  
Partnerships



Network  
Resources



Access to  
SBA and  
micro loans



YC.EDU/SBDC  
(928) 717-7232

