



To: Independent Pharmacies

From: Michigan Pharmacists Association

Date: April 3, 2020

Re: Small Businesses Can Apply Today for the Personal Protection Program; Economic Injury Disaster Loans

Coronavirus Aid, Relief and Economic Security (CARES) Act

President Trump signed the CARES Act into law on March 27, 2020. CARES establishes the Personal Protection Program (PPP) for small businesses impacted by coronavirus-related issues between Feb. 15 and June 30, 2020. Small businesses may apply for loans, which will remain available through the end of June. All 501(c)(3) nonprofits, 501(c)(19) veterans organizations, tribal businesses with fewer than 500 employees, individuals who manage a sole proprietorship and independent contractors are eligible. Each entity is limited to one loan, determined by the applicable taxpayer identification number (TIN). The loans are categorized by how long the organization remains operable from the beginning of the crisis period (Feb. 15) to June 30. For businesses that continue to operate and retain employees over that period, the SBA can provide a maximum loan of 250 percent of the average monthly payroll costs during that period. Starting **TODAY, April 3, 2020, small businesses and sole proprietorships can apply for PPP**. Starting **April 10, 2020, independent contractors and self-employed individuals can apply**. You can apply for the PPP through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union and Farm Credit System institution that is participating. You should consult with your local lender as to whether it is participating. Loan application materials include documentation verifying the number of employees on payroll and their compensation levels, along with all relevant documents showing payments on mortgage interest and utility payments. If a business claims a PPP loan, they are not eligible for the Employee Retention Credit (which would provide a refundable payroll tax credit for 50 percent of wages paid by eligible employers to certain employees during the COVID-19 crisis) or the deferment of payment of employer payroll taxes until 2021. Be sure to document all expenses related to a loan to be prepared in the event of an audit.

Eligible payroll expenses for calculating PPP loan amounts include:

- Compensation (salary, wages, commission or similar compensation, cash tips, etc.)
- Payment for vacation, family, medical and sick leave
- Allowance for employee dismissal or separation
- Payment for group healthcare benefits, including insurance premiums
- Payment of employee retirement benefits
- Payment of state and local taxes imposed on the compensation of employees



However, the PPP does not count the following expenses when calculating the total PPP reimbursement amount:

- Any compensation over \$100,000 per employee
- Taxes imposed under chapters 21 (payroll taxes), 22 (railroad taxes and retirement benefits), and 24 (income taxes withheld on wages) of the Internal Revenue Code (IRC)
- Compensation of employees whose principal place of residence is outside the United States
- Qualified sick and family leave for which a credit is already allowed under other sections (i.e., 7001 and 7003) of the Family First Coronavirus Response Act
- Loans used for duplicate purposes of another SBA loan program already claimed by the applicant

Once an eligible small business or contractor receives the loan, they may use it for the following:

- Payroll costs
- Costs related to the continuation of group healthcare benefits during periods of paid sick, medical, or family leave and insurance premiums
- Employee's salaries, commissions or similar compensation
- Payments of interest on any mortgage obligations (not including prepayment fees or payment of principal on the mortgage itself)
- Rent (including rents under a lease agreement)
- Utilities
- Interest on any other debt obligations that were incurred before the relevant covered period

Economic Injury Disaster Loans (EIDL)

- EIDLs have been a part of the SBA for years but offer another option to help pharmacies. Brief summary of EIDL details are:
- Low-interest 3.75%, fixed-rate loan to help small businesses experiencing a disaster
- Loan amounts up to \$2,000,000
- Up to 30-year terms
- No collateral except general business assets, no personal guarantee
- Must have been in business when COVID-19 crisis was announced 1/31/2020
- Covered period 1/31/2020 – 12/31/2020
- Not meant to replace lost sales or revenue
- Funding based on a gross profit test
- Applications have been modified and streamlined due to urgency
- Apply online, there is no cost and obligation to take the funds if approved for funding
- A business can apply for both the PPP and EIDL



References:

- <https://taxfoundation.org/sba-paycheck-protection-program-cares-act/>
- <http://www.ncpa.co/pdf/ncpa-member-summary-cares-act.pdf>
- <https://home.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses>
- <www.sba.gov> or <www.coronavirus.gov>
- <https://www.sba.gov/funding-programs/disaster-assistance>