



CALIFORNIA FARM BUREAU

Federal Policy Update

4/01/2020

Small Business Administration - Paycheck Protection Program

The CARES Act, the COVID-19 stimulus bill recently signed by the President, includes \$350 billion that will assist businesses in continuing to pay its employees. The Paycheck Protection Program (PPP) allows for loans to small businesses, with fewer than 500 employees, up to \$10 million to be used to defer costs of keeping employees on the payroll, adding employees and other expenses. The PPP will be available through June 30, 2020.

Who is eligible for PPP funds?

- Small businesses with 500 or fewer employees, including private non-profits organizations, 501(c)(19) veteran organizations, tribal concerns, self-employed individuals, sole proprietorships, and independent contractors, affected by COVID-19 are eligible.
- Businesses with more than 500 employees are eligible in certain industries. More information for business with more than 500 employees can be found [here](#). Small businesses in the hospitality and food industry with more than one location could also be eligible at the store and location level if the store employs less than 500 workers. This means each store location could be eligible.
- Applicant must have been in business since February 15, 2020 and paid taxes on employees or independent contractors.
- County and state farm bureaus are not eligible.

What can PPP funds be used for?

- Up to eight weeks of payroll costs including benefits.
 - Payroll includes salaries, commissions, tips, employee benefits (including health insurance premiums and retirement benefits), state and local taxes, and compensation to sole proprietors or independent contractors.
 - Payroll excludes annual salaries in excess of \$100,000, foreign employees (e.g. H-2 visa holders) and Federal Insurance Contributions Act (FICA) and income tax withholdings
- Interest on mortgage obligations incurred before February 15, 2020, rent under lease agreements in force before February 15, 2020 and utilities for which service began before February 15, 2020

What are the details of the PPP loans?

- Loans given for the purpose of payroll costs as well as the for the purpose of paying interest on mortgages, rent and utilities will be fully forgiven with the caveat that 75% of the forgiven amount is used for payroll.
- Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if the full-time headcount declines or if salary and wages decrease by more than 25% for any employee that made less than \$100,000 annualized in 2019. Applicants have until

June 30, 2020 to restore full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.

- Loans will be issued 2.5 times the average monthly “payroll” costs, measured over the twelve months preceding the loan origination date. Seasonal business may use the period of February 15-June 30, 2019 or March 1-June 30, 2019 to calculate average payroll. The maximum loan size is \$10 million
- Loans can be used on expenses incurred between February 15, 2020 and June 30, 2020
- Loan payments, including principal and interest, are deferred for six months. There is no penalty for prepayment.
- No collateral or personal guarantees are required
- The government and lenders will not charge small businesses any fees
- The loans are fully guaranteed by the Small Business Administration (SBA)
- The loan has a maturity of two years and an interest rate of 0.5%

How Do I Apply?

Applications can be submitted through any existing SBA 7(a) lender or through any federally insured depository institution, federal 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. Applicants should consult with their local lender as to whether it is participating. All loans will have the same terms regardless of lender or borrower. Lenders may begin processing loan applications as soon as April 3, 2020.

SBA encourages applicants to apply as quickly as possible as there is a funding cap

- **April 3, 2020 – Date small businesses and sole proprietorships may apply**
- **April 10, 2020 – Date independent contractors and self-employed individuals may apply**

View the [Application Form](#) to see the information that will be requested from you

For more information on PPP, visit the SBA website [here](#) or the U.S. Treasury website [here](#).