

Mayor Tracey Furman

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April 6, 2020

Important Notice re: SBA's Paycheck Protection Program (PPP)

To All Kensington Businesses:

The Paycheck Protection Program (PPP) is a federal loan program from the Small Business Administration (SBA) designed to help you keep your employees on the payroll during this period of uncertainty and business shutdowns due to COVID-19. This program is a unique opportunity to cushion the economic hardship caused by the pandemic.

Although technically an SBA loan, if you keep your workforce fully employed for 8 weeks—or rehire them for that period if you have already cut hours or staff—and meet other program criteria, SBA will defer all loan payments for 6 months and forgive the loan. That in effect turns the loan into a grant.

Working with local lenders, SBA will distribute the \$349 billion Congress has appropriated for this program on a first come, first served basis until the funds are exhausted. The SBA and local banks expect extremely high demand for the program. To ensure you do not miss this unique opportunity and that your application is processed in a timely fashion, it is important to get your application in as soon as possible.

Local banks are beginning to take applications *today*.

There are no fees to apply and no collateral or personal guarantees are required. This money will not count as taxable income.

Who Can Apply: Businesses with 500 or fewer employees including sole proprietorships, self-employed individuals, independent contractors, nonprofits, veterans organizations and tribal business concerns.

Loan Purpose: Loans may be used for payroll costs, rent, utilities, mortgage interest payments (but not mortgage pre-payment or principle payments), and interest payments on other debts incurred before Feb. 15, 2020. Special rules for EIDL loans. At least 75% of the loan proceeds must be used for payroll costs. You may only apply for one loan under this program in 2020.

Loan Amount: Loans can be for up to two months of your average monthly payroll costs from last year plus an additional 25% of that amount. Max loan amount is \$10 million.

- Payroll costs include benefits, your good-faith estimates of employee tips, health care premiums, payments for vacation and sick leave, etc.
- Payroll costs exclude compensation in excess of \$100,000 per employee
- Independent contractors are not employees and must apply for a PPP loan separately

- If you are a seasonal or new business, you will use different applicable time periods for your calculation.

Loan Forgiveness: To qualify for 100% loan forgiveness, no more than 25% of the money may be used for non-payroll costs and you must maintain employee headcount and compensation levels. Your loan forgiveness will be reduced if you decrease your full-time employee headcount or if you decrease salaries and wages by more than 25% for any employee that made less than \$100,000 on an annualized basis in 2019.

You will apply for loan forgiveness from your lender after you have spent the loan proceeds during the 8 weeks following the issuance of the loan. You will need to provide your lender with documentation that you used the money for qualifying purposes. Your lender then has 60 days to decide on your request for loan forgiveness. SBA has said it will provide more clarification on this process in coming days.

Remember that loan payments will be deferred for 6 months so if you file for loan forgiveness in a timely manner, you likely will not need to make any payments on this loan.

Rehiring: To qualify for loan forgiveness, you have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.

Working with Local Banks: **It is highly recommended that you use your existing lender (bank) to apply for this PPP loan.** Each lender may have slightly different paperwork requirements or application process; thus, it is imperative that you reach out to your current lender and inquire directly with them on the process and requirements for your lending institution. We have confirmed that the following local banks are participating in this program: Capital One, Chase, M&T Bank, and Truist (BB&T and SunTrust), although several banks are only taking applications from existing customers. M&T Bank currently is taking applications from non-customers.

What Documents Do I Need? **You must talk to your lender.** You will need to provide documentation verifying the number of full-time equivalent employees on your payroll as well as the dollar amounts of your payroll costs, rent, mortgage interest, and utility payments for the past year. Later to qualify for loan forgiveness you will need to also provide that same information for the eight-week period following the issuance of the loan. Be prepared by collecting:

For Businesses with Employees:

- 2019 IRS Quarterly 940, 941 or 944 payroll tax reports
- Payroll documents (previous 12 months or 2019)

For Independent Contractors:

- 1099s for 2019 for independent contractors

Other Documents as Applicable:

- Health insurance premiums paid by the Company Owner under a group health plan
- Retirement plan funding that was paid by the Company Owner

Current Information: Please refer to SBA's website for the latest information and a current copy of the application. <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program-ppp>

Other Programs: There are multiple other programs that may also be helpful during this time of crisis. Among other things you may want to look into SBA's Economic Injury Disaster Loan (EIDL) and Grant Program and Montgomery County's \$20 million Public Health Emergency Grant (PHEG) program.

Please also see the Town's webpage for other COVID-19 resources and ways you can support our local restaurants and merchants during these challenging times. <https://tok.md.gov/covid-19-resources/>

Please know that the Town Staff, our Council, and I are working tirelessly to support all our local businesses during this unprecedented time. We continue to promote our local restaurants with updated lists for carry-out and delivery on our website, via social media, and through marketing campaigns with both print and online media. We are beginning a similar listing to promote our shops and merchants who are promoting online stores during this time while we are all adjusting to new rules and guidelines regarding social distancing during this current State of Emergency.

We hope this information on the SBA Paycheck Protection Program is beneficial. As we work to identify additional ways to support our local businesses, we will continue to follow up with you. If you have any questions or ideas for additional ways in which the Town may be able to lend support, please do not hesitate to contact Town Staff or me personally.

We have attempted to share this information with all of our small businesses, but if you know of any that we may have missed, please feel free to share this information them.

Sincerely yours,



Tracey Furman
Mayor

Cc: Kensington Town Council
Matt Hoffman, Kensington Town Manager