Applications for the Paycheck Protection Program started being processed on April 3, 2020. If your nonprofit is tax exempt under 501(c)(3), or is a veterans group or tribal organization, with employees to whom you continue to pay wages, you may qualify.

Under the recently-enacted CARES Act (Coronavirus Aid, Relief, and Economic Security Act), the Paycheck Protection Program (PPP) is a very low-interest SBA loan with a significant portion of it being forgivable (in essence, becoming a grant, as you will not pay tax on this forgiven debt).

- **CRITERIA:** The business was operating as of 2/15/2020 and paying wages (salary & payroll taxes), and was impacted by COVID-19. To the extent that your business retains its employees and maintains salary levels, the SBA can forgive up to 8 weeks of these costs. The PPP is reserved for businesses with 500 or fewer employees, with some exceptions for SBA industry-specific size standards.

- **ALLOWED USES:** mostly payroll costs (including salaries and health insurance premiums), plus some general operating costs (mortgage/rent for leases before 2/15/2020), utilities (electricity, gas, water, transportation, telephone, internet), and interest on any debt incurred before 2/15/2020.

- **TERMS:** Interest rate 1% with 2-year term; loan repayment is deferred for 6 months. Borrower & lender loan fees are waived. Loans are approved by lenders who opt in (e.g., your current bank may be participating – you may be given priority as a customer). No personal guarantee or collateral required. No penalties or fees for early repayment.

- **FORGIVENESS:** Debt for a 8-week period of these qualifying costs, up to the loan principal amount, would be forgiven if you meet the criteria and apply for loan forgiveness with the same lender who approved your loan, with certified documentation of the qualifying costs, payroll and pay rates. Not more than 25 percent of the loan forgiveness amount may be attributable to non-payroll costs. In addition, the total forgiven amount will be proportionally reduced by any reduction in your full-time employee headcount compared to 2019 and also by the 25% or more reduction in pay of any employee that made less than $100,000 compared to 2019 compensation. Re-hiring of employees or restoration of salary levels can serve as an effective cure, as explained below.

  - **CURE:** 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.

- **CALCULATING LOAN AMOUNT (but not to exceed $10M)**:

  \[ \text{Loan Amount} = 2.5 \times \text{Average Monthly Payroll} + (\text{any EIDL given in 2020 between Jan. 31 and April 3, less the amount of any EIDL “advance”}) \]

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1 [https://home.treasury.gov/system/files/136/PPP--IFRN%20FINAL.pdf](https://home.treasury.gov/system/files/136/PPP--IFRN%20FINAL.pdf)
Below is how to determine Average Monthly Payroll for this calculation, unless you are a seasonal or new employer:

- First, for the last 12 months (but note that some banks are asking for information on all of 2019 through February 15, 2020), find the total of all compensation to employees whose principal place of residence is the U.S. – in the form of salary, wages, commissions, or similar compensation, cash tips or the equivalent (based on employer records of past tips or in the absence of such records, a good-faith employer estimate), payment for leave (vacation, parental, family, medical, sick), separation/dismissal allowance, employee benefit payments (group health care coverage, insurance premiums, retirement), and state and local employment taxes assessed on compensation (but not federal tax). However, only up to $100,000 per individual employee can qualify. Any leave wages for which a credit is allowed under the FFCRA must also not be counted here. Payments to independent contractors may NOT be used here for PPP loan calculation.

- Second, divide this total by 12 to calculate Average Monthly Payroll.

However, if you are a seasonal employer, you may instead elect to use average monthly payroll for the time period between February 15, 2019 and June 30, 2019 (finding the total of all compensation to employees defined as above);
Alternatively, if you are a new business, average monthly payroll may be calculated using the time period from January 1, 2020 to February 29, 2020 (finding the total of all compensation to employees defined as above).

- APPLICATION REQUIREMENTS: You will need to give a good faith certification: (1.) that the uncertainty of current economic conditions makes necessary the loan request to support your ongoing operations; (2.) that funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments, and utility payments; (3.) that you don’t have an application pending for a loan under this subsection for the same purpose and duplicative of amounts applied for or received under a covered loan; and (4.) that during the period beginning on 2/15/2020 and ending on 12/31/2020, you have not received amounts under this subsection for the same purpose and duplicative of amounts applied for or received under a covered loan.

You will also need to provide documentation verifying the number of full-time equivalent employees on payroll, as well as the dollar amounts of payroll costs, covered mortgage interest / rent payments, and covered utilities for the eight week period following this loan, to the lender. (Supporting documents might include: payroll processor record, payroll tax filings, Form 1099-Misc, bank records.)

- NOTE: Receiving a PPP loan excludes you from the deferred 2020 payroll tax payments and Employee Retention Credit. In addition, you may not borrow through both a PPP Loan and EIDL for COVID-19, for the same purposes. (If you received an SBA EIDL loan prior to April 3, 2020, you can apply for a PPP loan – if your EIDL loan was not used for payroll costs, you can still be eligible for a PPP loan; however, if your EIDL loan was used for payroll costs, your PPP loan must be used to refinance your EIDL loan and any EIDL advance is deducted from the loan forgiveness amount on the PPP loan.)

A good article on changing PPP guidance: https://www.forbes.com/sites/brianthompson1/2020/04/05/how-to-calculate-payroll-costs-for-your-paycheck-protection-program-loan/#2cd6508f3710