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Small Business Provisions of CARES Act – SBA Loans

Forgivable SBA Loan Program – Paycheck Protection Program Loan Guarantee

The CARES Act allocated \$350 billion to the Small Business Administration (SBA) to provide loans for small businesses. Eligible business may apply for these loans directly through their local SBA approved lending institution.

Eligibility

Businesses with less than 500 employees are eligible to apply for these loans. These loans are available, to all businesses, including sole proprietors, independent contractors and self-employed individuals.

Amount of Loan

The amount of the loan is limited to the lesser of \$10 million or 2.5 times the average monthly payroll cost incurred in the one year period before the date of the loan. Payroll costs include all salaries, wages, tips, sick pay, group health benefits, retirement benefits, and state or local taxes assessed on employee compensation. For employees with salaried compensation in excess of \$100,000, only the amount up to \$100,000 is included in the calculation

Terms of Loan

Loan proceeds may be used for:

- Payroll Costs
- Continuation of Group Health Care Benefits
- Rent
- Utilities
- Interest on mortgage obligations
- Interest on other outstanding debt

The term of the loan will not exceed 10 years, with an interest rate not to exceed 4%. These loans do not require collateral or guarantees

Payment Deferral

All interest and principal payments on Paycheck Protection Program Loans will be deferred for 6-12 months.

Forgiveness of Loan

A portion of this loan is forgivable, equal to the sum of the payroll costs, mortgage interest payment, rent and utilities incurred or paid by the borrower during the eight week period beginning on the date of loan origination. However, if the loan recipient laid off employees or reduced the wages of its workforce in the period between February 15, 2020 through June 30, 2020, the amount of forgiveness is reduced proportionately by:

- Any reduction in employees retained compared to historical levels, and
- The decrease in pay of any employee beyond 25% of their historical compensation

These reductions in forgiveness do not apply to employers that might already have or are planning to lay off personnel or cut salaries if those changes were made between February 15, 2020 and April 26, 2020, and the business rehires the number of personnel or returns the adjusted wages by June 30, 2020.

Economic Injury Disaster Loan Payments

The CARES Act modified the pre-existing Economic Injury Disaster Loan Program (EIDL) These loans are available to small businesses in a declared disaster area (currently all 50 states have been declared disaster areas). Loans are for the purpose of covering economic injury (loss of revenue) from the disaster.

Eligibility

Small business must be located within a disaster declared area and have suffered economic injury (loss of revenue) as a result of the disaster

Amount of Loan

EIDL Loans are available for up to \$2 million

Terms of Loan

Loan proceeds must be used to cover:

- Payroll
- Payments on pre-existing debt
- Accounts payable and
- Other expenses that can't be paid because of the economic injury.

The term of the loan can be up to 30 years. The loan will bear interest at 3.75%

Forgiveness of Loan

Currently there are no forgiveness provisions related to EIDL Loans.