COVID-19

Highlights of the Paycheck Protection Program of the CARES Act
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HIGHLIGHTS OF THE PAYCHECK PROTECTION PROGRAM (PPP)
UNDER CORONAVIRUS AID, RELIEF AND ECONOMIC SECURITY ACT (CARES ACT)

• Provides economic relief to small businesses (*500 or fewer employees) adversely affected by the Coronavirus pandemic (COVID-19).
  ✓ Includes nonprofit (501(c)(3)) and veterans organizations (501(c)(19)), tribal business concerns, self-employed individuals, sole proprietors, and independent contractors.
• Provides small businesses with funds through guaranteed loans to cover up to 8 weeks of:
  ✓ Payroll costs, including benefits
    • Defined broadly: may be used for group health benefits, retirement benefits, paid leave (including vacation, parental, family, medical, or sick leave), and state and local payroll taxes
    • Note that the CARES Act specifically excludes qualified sick and family leave wages for which paid sick leave credit is allowed under the Families First Coronavirus Response Act (FFCRA).
    • Payroll costs capped at $100,000 on an annualized basis for each employee
  ✓ Rent: lease agreements must have been in force before February 15, 2020
  ✓ Utilities: service must have been in place before February 15, 2020
  ✓ Interest on mortgage obligations incurred before February 15, 2020
• PPP loan may also be used for interest payments on any other debt obligations incurred before February 15, 2020, and/or refinancing an SBA EIDL loan made between January 31, 2020 and April 3, 2020.
• However, Interim Final Rule states at least 75% of the PPP loan proceeds shall be used for payroll costs to align with Congress’s goal of keeping workers paid and employed.
• Full principal amount of loan may qualify for loan forgiveness. Note: PPP authorizes up to $349 billion in forgivable loans.
• Intent is to retain workers, help the economy, and provide expeditious relief to small businesses.
• Can only apply for one PPP loan and loans are granted on a first come, first served basis.
• Last day to apply for and receive a loan is June 30, 2020.

*Note: Businesses in certain industries can have more than 500 employees if they meet applicable SBA employee-based size standards. (See: www.sba.gov for more detail).

Although the Interim Final Rule is effectively immediately, comments are being solicited from interested members of the public and will be considered.

Loan Forgiveness

• Per Treasury Department guidelines, loan forgiveness is based on “the employer maintaining [employees] or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or salaries and wages decrease.”
• If funds are used for anything other than payroll costs, mortgage interest, rent, utilities over the 8-week period after receiving the loan, money will be owed when loan is due.
• Not more than 25% of the forgiven amount may be for non-payroll costs.
• Forgiveness will be reduced if salaries and wages are decreased by more than 25% for any employee that earned less than $100,000 annualized in 2019.
• Employers have until June 30, 2020, to restore/rehire full time employees and salary levels for any changes made between February 15, 2020 and April 26, 2020.
• Company should submit forgiveness request to the Lender servicing the loan; decision on forgiveness must be made within 60 days.

Other Terms of PPP Loans

• 1% interest rate, fixed
• First payment deferred for six months
• 2 years to pay loans
• No collateral or personal guarantees required
• No loan fees need to be paid to lenders or government
• Loans are 100% guaranteed by Small Business Administration

How to Apply

• Paycheck Protection Program loan application (SBA Form 2483) Please click on the link.
• Certification Requirements Made in Good Faith: Per Interim Final Rule, on application form, company’s authorized representative must in good faith certify the following:
  ✓ Company in operation on February 15, 2020; had employees and paid salaries and payroll taxes or paid independent contractors (as reported on IRS Form 1099 – MISC).
  ✓ Current economic uncertainty makes loan request necessary to support ongoing operations of business.
  ✓ Company will use funds to retain workers and maintain payroll, and/or make payments for mortgage interest, rent, and utilities.
  ✓ Understanding that if funds are knowingly used for unauthorized purposes, federal government may hold applicant legally liable for fraud.
  ✓ Not more than 25% of loan proceeds may be used for non-payroll costs.
  ✓ Documentation verifying number of full-time equivalent employees as well as payroll costs, covered mortgage payments, rent payments and utility payments for this 8-week period will be provided to the lender.
  ✓ Loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rental payments and covered utilities.
  ✓ From February 15, 2020 through December 31, 2020, the company has not and will not receive another loan under this program.
  ✓ Certification that all information provided in application and information provided in all supporting documents and forms is true and accurate in all material aspects.
  ✓ Understanding that knowingly making a false statement to obtain a guaranteed loan from SBA is punishable under federal law including imprisonment and/or fines of up to $250,000; and if submitted to a federally insured institution, imprisonment of not more than thirty years and/or a fine of not more than $1,000,000.
  ✓ Finally, acknowledgement that lender will confirm eligible loan amount using tax documents (that applicant must submit); affirmation that tax documents are identical to those submitted to the IRS; understanding, acknowledgement and agreement that Lender can share tax information with the SBA’s authorized representatives of the SBA Office of Inspector General for the purpose of compliance with SBA Loan Program Requirements and all SBA reviews.
When to Apply

- Small businesses and sole proprietors: starting on **April 3, 2020**
- Independent contractors and self-employed individuals: starting on **April 10, 2020**
- Applicants are encouraged to apply as quickly as possible because of funding cap

Where to Apply

- Banks/federally insured depository institutions
- Federally insured credit unions
- Participating Farm Credit System institutions
- Any existing SBA lender
- List of participating lenders found at [www.sba.gov](http://www.sba.gov)

Further Information

For further information, contact the local SBA Office:

Small Business Administration  
Hawaii District Office  
500 Ala Moana Blvd., Suite 1-306  
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