

A detailed microscopic image of a coronavirus particle, showing its characteristic spherical shape and the crown-like surface proteins. The particle is centered in the upper half of the frame, with other similar particles visible in the background, all set against a dark, textured background.

# What You Need to Know About the Paycheck Protection Program Component of the CARES Act

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# Coronavirus Related Legislation

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## Coronavirus Preparedness and Response Supplemental Appropriations Act (Phase I)

Signed by President March 6

### Families First Coronavirus Response Act (Phase II)

- Signed by President March 18
- DOL Q&A released March 25 and March 27
- Over 200 pages
- Mandates Emergency Paid Sick Leave and Expanded FMLA for employers under 500 employees
- Size is determined by counting employees in the US and its territories as of the date leave is taken. The 500 threshold includes: full-time, part-time, employees on leave, temporary employees and day laborers
- Is not the topic for the next hour, but NFP is hosting future webinars to address FFCRA and has a plethora of useful information at the NFP Insights page

### Coronavirus Aid, Relief, and Economic Security Act or the CARES Act (Phase III)

- Signed by President March 27
- Over 800 pages
- No regulations or Q&A have been released
- Much is known, but much is not yet knowable
- Most parts of the law apply to employers with under 500 employees
  - How to determine size varies in different parts of the law, in general it includes US based full-time and part-time employees
  - Size determined by location for some businesses
- Is the main topic for the next hour

# Coronavirus Aid, Relief, and Economic Security (CARES) Act

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Coronavirus Aid,  
Relief, and  
Economic  
Security Act

Division A

6 Titles

11 Subtitles

11 Parts

6 Subparts

195 Sections



# Coronavirus Aid, Relief, and Economic Security (CARES) Act

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- **Title I – Keeping American Workers Paid and Employed Act**
- Title II – Assistance for American Workers, Families and Businesses
- Title III – Supporting America’s Health Care System in the Fight Against the Coronavirus
- Title IV – Economic Stabilization and Assistance to Severely Distressed Sectors of the United States Economy
- Title V – Coronavirus Relief Funds
- Title VI – Miscellaneous Provisions



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# Title I – Highlights

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- Sec. 1102. Paycheck Protection Program
- Sec. 1103. Entrepreneurial Development
- Sec. 1106. Loan Forgiveness
- Sec. 1108. Minority Business Development Agency
- Sec. 1110. Emergency EIDL Grants



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# Section 1102 Highlights

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## Paycheck Protection Program, *Continued*

### Eligibility

- For profit small businesses under 500 employees\*
- 501(c)(3) not-profits under 500 employees
- Sole proprietor or self-employed
- Tribal business or 501(c)(19) Veterans Organization

### *\*Exceptions:*

- SBA NAICS Code employee size standard is greater
- NAICS Code 72 (Accommodation and Food Services), 500 employee rule applies per location
- Franchise affiliation rules do not apply

### Use of Funds

- Salary, wage, commissions, including state or local tax assessments on employee compensation
- Cash tips or equivalent
- Vacation, parental, family, medical, sick leave
- Group health care benefits
- Retirement benefit or allowance for dismissal/separation
- Interest on mortgages in ordinary course of business
- Rent on leasing agreement
- Utilities, including electric, gas, water, telephone, internet



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# Section 1102 Highlights, *Continued*

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## Paycheck Protection Program, *Continued*

### **Loan Size**

- Based on 2.5x average monthly payroll incurred during the year prior to loan
- Seasonal employer is 2.5x average monthly payroll for 12-week period February 15, 2019 or March 1, 2019 through June 30, 2019
- Business not operational in 2019 – 2.5x average monthly payroll for January and February 2020
- Maximum loan of \$10 million

### **Average Payroll Included**

- Salary, wage, commissions
- Cash tips or equivalent
- Vacation, parental, family, medical, and sick leave
- Allowance for dismissal or separation
- Group health care benefits, including insurance premiums
- Retirement benefits
- Payment of state or local tax assessed on the compensation of employees
- Independent contractor payments not to exceed \$100,000 per contractor

### **Average Payroll Excluded**

- Excess salary over \$100,000
- Payroll taxes and income taxes
- Employee with principal residence outside of the United States
- Qualified sick leave under FFCRA
- Qualified family leave under FFCRA



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# Section 1102 Highlights, *Continued*

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## Paycheck Protection Program, *Continued*

### Loan Information

- No personal guarantees
- No collateral
- No loan fees
- No prepayment penalties

### Loan Terms

- No more than 10 years
- Maximum interest rate of 4.0%
- Payment deferral of 6 – 12 months

### Borrower Requirements

- Certification that the uncertainty of economic conditions makes loan necessary
- Acknowledgement that funds will be used for qualifying expenses
- An application for a loan for the same purpose is NOT pending
- Duplicative amounts have NOT been received



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# Section 1106 Highlights

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## Loan Forgiveness

### Qualifications for Use of Funds During “Covered Period” Include

- Salary, wage, commissions, including state or local tax assessments on employee compensation
- Cash tips or equivalent
- Vacation, parental, family, medical, sick leave
- Group health care benefits
- Retirement benefit or allowance for dismissal/separation
- Interest on mortgages in ordinary course of business
- Rent on leasing agreement
- Utilities, including electric, gas, water, telephone, internet

### Use of Funds Excluded

- Excess salary over \$100,000
- Payroll taxes and income taxes
- Employee with principal residence outside of the United States
- Qualified sick leave under FFCRA
- Qualified family leave under FFCRA

### Covered Period

- 8 week period from date of loan



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# Section 1106 Highlights, *Continued*

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## Loan Forgiveness, *Continued*

### Reduction To Loan Forgiveness – Reduction Based on Number of Employees

Average Full-Time Equivalents (FTEs) for the Covered Period

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Average Number of FTEs from February 15, 2019 – June 30, 2019  
OR  
Average Number of FTEs from January 1, 2020 – February 29, 2020

### Reduction To Loan Forgiveness – Reduction Based on Reduction in Salaries

- Compare earnings of employees with annualized salary of **under** \$100,000 in 2019 to
- Reduction in earnings of employees with annualized salary of **under** \$100,000 to most recent full quarter
- Reduce forgiveness by decreases greater than 25%

### Special Provisions – Wage Restoration

- Reductions in wages between February 15, 2020 – April 27, 2020
- If reductions restored fully by June 30, 2020



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# Section 1110 Highlights

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## Emergency EIDL (Economic Injury Disaster Loan) Grants

### Eligibility

- For profit small businesses under 500 employees
- 501(c)(3) not-profits under 500 employees

### Use of Funds

- Paid sick leave for COVID-19 employee
- Maintain payroll during slowdowns
- Increased costs for use of alternate suppliers
- Rent and mortgage payments

### Grant Size and Allocation

- Small Business Administration (SBA) – newly updated website [www.sba.gov](http://www.sba.gov)
- Loan size to be determined by SBA
- Initial advance up to \$10,000

### Other Information

- No personal guaranteed under \$200,000
- Approval can be based on credit score



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# Section 1103 and 1108 Highlights

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## Entrepreneurial and Minority Business Development Grants

### Eligibility

- For profit small businesses
- Women-owned businesses
- Minority-owned businesses

### Use of Funds

- Education and training for COVID-19 hazard and protection
- Education and training for teleworking, remote management, mitigating cyber threats, mitigate effects of reduced travel
- Support for fees incurred to access and apply for resources

### Grant Size and Allocation

- Small Business Development Centers, Women's Business Centers, The Minority Business Development Agency of the Department of Commerce
- To be determined by SBA and Qualifying Resource Centers



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# How to Start Preparing

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## Financial Information and Underlying Support

### **Financial Information Expected to be Required**

- SBA application – form 1919 (SBA Website)
- Previous 3 years of Tax Returns (2018-2016)
- 2019 financial statements, can be internally prepared
- Most recent Form 941: Employer's Quarterly Federal Return
- Breakdown of you January 2019 to February 2020 payroll expenses

### **Supporting Covered Expenses – Previous 12 Months**

- Payroll (including employer benefits, 401K matches, employer taxes)
- Insurance Expense
- Rent
- Loan/Mortgage

### **Supporting Actual Expenses (2/15/2020 - 6/30/2020)**

- Payroll (including employer benefits, 401K matches, employer taxes)
- Full Time Equivalents (FTEs)



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*Thank you  
for your participation!*

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