Updates from previous version in red

SBA Paycheck Protection Program (PPP) for Artists, Independent Contractors, and Business Owners

SBA Loan Programs have been resumed

An additional $310 billion was allocated to the SBA PPP and EIDL loan programs in a COVID-19 Rescue Bill signed by President Trump on April 24. Of that $310 billion, $250 billion was designated specifically for PPP loans. The SBA resumed accepting PPP applications on April 27 at 10:30am EDT.

While changes have been made to the SBA E-Tran system to pace the acceptance of applications in order to allow more lenders to submit applications at the same time, the PPP loans are still first-come, first-served.

Here at the Arts & Business Council of Greater Boston (ABC), we understand that the outbreak of the Coronavirus (COVID-19) has had a great impact on our community of artist and art organizations. Our team wants you all to know we are here, and ABC is committed to doing our part to help provide resources that may help to alleviate some of the stressors your businesses may be facing.

What is a PPP Loan?

- PPP is a forgivable loan program that helps small businesses keep their workforce employed during the Coronavirus (COVID-19) crisis.
- The loan is intended to cover expenses incurred during the period from February 15, 2020 through June 30, 2020.

Who Can Apply?

- Any business or 501(c)(3) nonprofit organization with under 500 employees
- Any 501(c)(19) veterans organization, or Tribal business concern that meets SBA’s size standards
- Sole proprietorships, independent contractors, self-employed individuals, and gig workers
  - Partners within a Partnership are not eligible to receive a separate loan for themselves as a self-employed individual. You must submit the loan application by or on behalf of the Partnership.
- Businesses in the food or hospitality industry (NAICS codes beginning in (72) may be eligible on a per location basis.
- Faith-based organizations. See full SBA guidelines here.
- Your business must have been in operation by February 15, 2020

What the Loan Can be Used for?
• Retain workers and maintain payroll, mortgage and rent payments, utility payments, health benefits, paid sick or medical leave, insurance premiums, and interest on debt incurred before the covered period
• You cannot receive funds from another SBA program (such as EIDL) for the same purpose and during the same period of a PPP loan. If you received an EIDL to cover payroll costs between January 31, 2020 and April 3, 2020, the PPP loan must be used to refinance that EIDL.

Sole Proprietors, Independent Contractors and Self-Employed Individuals
• Owner compensation replacement
• Employee payroll costs, if applicable
• Mortgage interest payment on any business mortgage obligation on real or personal property
• Business rent and utility payments
• Interest payments on other debt obligations incurred before February 15, 2020
• Refinancing an EIDL loan made between January 31, 2020 and April 3, 2020. If that EIDL was used for payroll, you must refinance.

When to Apply?
• First come, first served basis
• Lenders may begin processing loan applications for businesses as soon as April 3, 2020.
• Self-employed individuals and sole proprietorships can apply beginning April 10, 2020.
• PPP loans will be available through June 30, 2020 or until funds have run out. There may be more funds allocated by Congress to the PPP program at a future date, if needed.

How to Apply
Existing SBA 7(a) Lenders in Massachusetts
• Click on the links below to see if your local lender is an existing SBA 7(a) lender in Massachusetts. If your local lender is not on the list below, please call them to see if they have been recently approved to participate in the PPP.
  o Top SBA Lenders in Massachusetts
  o SBA Official Massachusetts Lender List

Other Options
• Apply through any federally insured depository institution; or
• Federally insured credit union; and
• Farm credit system institutions.

Official Application Form
• You can find the official SBA PPP Borrower Application Form here. Please keep in mind individual banks and lenders may use their own application form, but the information required will be the same.

What Do I Need to Apply?
For Businesses and Nonprofit Organizations
Payroll documentation
- The SBA Application asks for payroll costs from January 2019-December 2019, but individual banks may ask for the most recent 12 months. Considering this, be prepared to provide payroll information over the last 15 months.
- **Exclude** compensation of an individual employee in excess of an annual salary of $100,000
- **Seasonal Businesses** can elect to use an average monthly payroll for the time period between February 15, 2019 and June 30, 2019 OR $10 million (whichever is smaller)
- **New Businesses** can elect to use average monthly payroll payments from January 1, 2020 to February 29, 2020 OR $10 million (whichever is smaller)
- If your business utilizes an external payroll company, you may need to provide reports received directly from them as well.
- Most recent financial documents available covering the past year
- Health insurance premiums paid by the business owners under a group health plan
- Company retirement plan funding paid for by the company

For Sole Proprietors, Independent Contractors and Self-Employed Individuals

Proof of Income in 2019, via:
- Form 1040 Schedule C for Sole Proprietors and Independent Contractors
  - Regardless of whether you have filed a 2019 IRS tax return, you must provide the 2019 Form 1040 Schedule C with your PPP loan
- 1099 Forms
- Payroll Processing records and Payroll tax filings
  - Bank records, if the above are unavailable

Loan Terms
- Loan has a maturity of 2 years
- Interest Rate: 1%
- Total loan amount not to exceed $10 million
- Payments deferred for 6 months
- No prepayment penalties
- No collateral or personal guarantees are required
- No fees from government or lenders

Calculating Loan Amount: Average Monthly Payroll Costs

**Businesses and Nonprofits**

1. Add together **all** payroll costs from the last 12 months (or from January 1 - December 31, 2019); then
2. Subtract any compensation paid to an employee in excess of an annual salary of $100,000; then
3. Divide that number by 12; then
4. Multiply by 2.5; then
5. Add the outstanding amount of any **non-forgivable** EIDL made between January 31 and April 3, 2020
Businesses that employ independent contractors may **not** include those costs in their payroll estimate for the loan, as they are eligible to apply for their own PPP loan.

**Sole Proprietors, Independent Contractors and Self-Employed Individuals**

1. **Take your 2019 net profit** up to $100,000 (from Form 1040 Schedule C line 31 for Sole Proprietors and Independent Contractors or 2019 payroll tax filings for Self-Employed), then
2. **Divide** by 12, then
3. **Multiply** by 2.5
4. **Add** the outstanding amount of any EIDL made between January 31, 2020 and April 3, 2020 that you seek to refinance, less the amount of any COVID-19 EIDL Advance.

*If your net profit is $0 or less, you are not eligible for a PPP loan.

**Sole Proprietors / Self-Employed Individuals WITH EMPLOYEES**

1. **Add:**
   a. 2019 **net profit** (Schedule C, line 31) up to $100,000, plus
   b. 2019 **gross wages and tips** (up to $100,000) paid to employees (Form 941 Taxable Medicare wages & tips, line 5c, column 1) from each quarter, plus any pre-tax employee contributions to health insurance or other fringe benefits excluded from Taxable Medicare wages & tips, plus
   c. 2019 **employer health insurance contributions** (Schedule C, line 14), **retirement contributions** (Schedule C, line 19), and **state and local taxes** assessed on employee compensation
2. **Divide** the total from step 1 by **12**, then
3. **Multiply** by **2.5**, then
4. **Add** the outstanding amount of any EIDL made between January 31, 2020 and April 3, 2020 that you seek to refinance, less the amount of any COVID-19 EIDL Advance.

*SBA will issue additional guidance for self-employed individuals not in operation during 2019 but were operating by Feb 15, 2020, as they will not have 2019 business and tax records.

**Loan Forgiveness**

**Businesses and Nonprofits**

- Loans will be fully forgiven only if the funds are used for payroll costs, interest on mortgages, rent, and utilities during the 8-week period after the loan is issued.
  - At least 75% of the forgiven amount must have been used for payroll.
- Employers must maintain or quickly rehire employees during the loan period in 2020 that the employer had in 2019
  - Forgiveness will be reduced if the full-time equivalent number of employees is reduced
- Employers must maintain salary levels
  - Forgiveness will be reduced if salaries and wages **decrease** by 25% or more for any individual employee during the 8-week loan period, compared to the 2019 period
- Loan forgiveness can be restored if **laid off employees** are restored by **June 30, 2020**
Forgiven loan amounts under the Paycheck Protection Program are excluded from gross income and will not be taxable as income.

Sole Proprietors, Independent Contractors, and Self-Employed Individuals

- PPP loan is designed to replace lost compensation due to the impacts of COVID-19. 8 weeks of your 2019 net profit will be eligible for forgiveness.
  - Net profit (max. $100,000) multiplied by 8/52
- If you have mortgage interest, rent, or utilities expenses, you must have claimed or be entitled to claim a deduction for those expenses on your 2019 Schedule C in order to claim them for forgiveness.

Guidelines for Reporting Expenses to Receive Loan Forgiveness

- Provide very clear documentation indicating what the loan was used for.
- You may need to provide official statements (payroll reports, invoices, etc.) and matching bank statements confirming the amount was paid during the 8-week period after the loan was issued.

PPP LOAN FAQs

What is included in “payroll costs?”
Compensation to employees (whose principal place of residence is the United States) 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 reasonable, good-faith employer estimate of such tips);
- Payment for vacation, parental, family, medical, or sick leave;
- Allowance for separation or dismissal;
- Payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement;
- Payment of state and local taxes assessed on compensation of employees; and
- For an independent contractor or sole proprietor: wages, commissions, income, or net earnings from self-employment, or similar compensation.

What is excluded from “payroll costs?”
The Act expressly excludes the following:

- Any compensation of an employee whose principal place of residence is outside of the United States;
- The compensation of an individual employee in excess of an annual salary of $100,000, prorated as necessary;
- Federal employment taxes imposed or withheld between February 15, 2020 and June 30, 2020, including the employee's and employer's share of FICA (Federal Insurance Contributions Act) and Railroad Retirement Act taxes, and income taxes required to be withheld from employees; and
Do I count all employees or only full-time equivalent employees in my headcount?
For purposes of loan eligibility, the CARES Act defines the term employee to include “individuals employed on a full-time, part-time, or other basis.” A borrower must therefore calculate the total number of employees, including part-time employees, when determining their employee headcount for purposes of the eligibility threshold.

- For example, if a borrower has 200 full-time employees and 50 part-time employees each working 10 hours per week, the borrower has a total of 250 employees.

By contrast, for purposes of loan forgiveness, the CARES Act uses the standard of “full-time equivalent employees” to determine the extent to which the loan forgiveness amount will be reduced in the event of workforce reductions.

What if my employee headcount is reduced due to circumstances not related to COVID-19?
There are no guidelines in the PPP statute regarding reductions in headcount or wages based on reasoning (i.e., non-COVID-19 termination or if the employee quit on their own). Ultimately, the amount of the loan to be forgiven will be reduced if the average number of employees, based on a full-time equivalent, decreases and/or if there is an employee wage reduction over 25% during the loan period as compared to that of the “lookback period.”

What if I own more than one business?
Each independent business is eligible to apply for its own PPP loan. However, please note that you may encounter challenges in getting relief funding if your businesses don’t have cleanly separated finances. If you own more than one business, it’s imperative that you maintain separate bookkeeping for each business. This will be especially helpful when it comes to reporting your expenses for loan forgiveness.

Questions?
We understand you likely have a number of unanswered questions. The Arts & Business Council will regularly publish updated information regarding small business loan assistance as it is made available, and we invite any questions you may have in the meantime.