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.

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.

**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.
  - [Top SBA Lenders in Massachusetts](#)
  - [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.

*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

- 8 weeks of your 2019 net profit will be eligible for forgiveness.
  - Net profit (max. $100,000) multiplied by 8/52
No more than 75% of your loan may be used for compensation recovery. The remaining 25% must be used for authorized business expenses.

- Authorized Business Expenses, according to Schedule C:
  - Mortgage (line 16a)
  - Business Property (line 20b)
  - Utilities (line 25)
  - Expenses for business use of your home (line 30)

*The above expenses are authorized if they are incurred during the 8-week loan period, and the agreements or contracts for those expenses are dated prior to February 15, and they are claimed as deductible expenses on your 2019 Form 1040 Schedule C.

Applying for Loan Forgiveness: Required Documentation

Businesses and Nonprofits

- **PPP Loan Forgiveness Calculation Form** ([Forgiveness Application]: pages 3-4)
- **PPP Schedule A** ([Forgiveness Application]: page 6)
- **Payroll**: Documentation verifying the eligible cash compensation and non-cash benefit payments from the Covered Period or the Alternative Payroll Covered Period (defined on page 1 of the Forgiveness Application) consisting of each of the following:
  - Bank account statements or third-party payroll service provider reports documenting the amount of cash compensation paid to employees.
  - Tax forms (or equivalent third-party payroll service provider reports) for the periods that overlap with the Covered Period or the Alternative Payroll Covered Period:
    - Payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941); and
    - State quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported
  - Payment receipts, cancelled checks, or account statements documenting the amount of any employer contributions to employee health insurance and retirement plans that the Borrower included in the forgiveness amount (PPP Schedule A, lines (6) and (7))

- **FTE**: Documentation showing:
  - The average number of FTE employees on payroll per month employed between February 15, 2019 and June 30, 2019 or between January 1, 2020 and February 29, 2020; or
  - For seasonal employers: the average number of FTE employees on payroll per month employed between February 15, 2019 and June 30, 2019; between January 1, 2020 and February 29, 2020; or any consecutive twelve-week period between May 1, 2019 and September 15, 2019.

*The selected time period must be the same time period selected for purposes of completing PPP Schedule A, line 11. Documents may include payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941) and state quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state. Documents submitted may cover periods longer than the specific time period.
• **Nonpayroll**: Documentation verifying existence of the obligations/services prior to February 15, 2020 and eligible payments from the Covered Period
  o Business mortgage interest payments
    ▪ Copy of lender amortization schedule and receipts or cancelled checks verifying eligible payments from the Covered Period; or lender account statements from February 2020 and the months of the Covered Period through one month after the end of the Covered Period verifying interest amounts and eligible payments.
  o Business rent or lease payments
    ▪ Copy of current lease agreement and receipts or cancelled checks verifying eligible payments from the Covered Period; or lessor account statements from February 2020 and from the Covered Period through one month after the end of the Covered Period verifying eligible payments.
  o Business utility payments
    ▪ Copy of invoices from February 2020 and those paid during the Covered Period and receipts, cancelled checks, or account statements verifying those eligible payments.

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

• **PPP Loan Forgiveness Calculation Form** ([Forgiveness Application: pages 3-4](#))
• **PPP Schedule A** ([ Forgiveness Application: page 6](#))
• **Payroll**: 2019 Schedule C
  o PPP loans for independent contractors and self-employed individuals provide 8 weeks of Owner Compensation Replacement, which means 8 weeks of your net profit from 2019 will be automatically forgiven.

• **Nonpayroll**: Documentation verifying existence of the obligations/services prior to February 15, 2020 and eligible payments from the Covered Period
  o Business mortgage interest payments
    ▪ Copy of lender amortization schedule and receipts or cancelled checks verifying eligible payments from the Covered Period; or lender account statements from February 2020 and the months of the Covered Period through one month after the end of the Covered Period verifying interest amounts and eligible payments.
  o Business rent or lease payments
    ▪ Copy of current lease agreement and receipts or cancelled checks verifying eligible payments from the Covered Period; or lessor account statements from February 2020 and from the Covered Period through one month after the end of the Covered Period verifying eligible payments.
  o Business utility payments
    ▪ Copy of invoices from February 2020 and those paid during the Covered Period and receipts, cancelled checks, or account statements verifying those eligible payments.

**Recommended Steps for Filling out the Application**

1. Complete the general business information on the *Loan Forgiveness Calculation Form*
2. Complete the Schedule A Worksheet to determine if you meet the headcount and wage requirements
   a. Sole Proprietors and Self-Employed individuals without payroll do not need to complete the Schedule A Worksheet.
3. Complete Schedule A
   a. Sole Proprietors and Self-Employed individuals without payroll only need to complete lines 9 and 10. Line 9 is where you include the amount of your Owner Compensation Replacement (2019 Schedule C net profit (up to $100,000) multiplied by 8/52).
4. Complete the rest of the Loan Forgiveness Calculation Form

See full Loan Forgiveness Application and Instructions [here](#).

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
- Qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act

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.

Will my forgiveness amount be reduced if I laid off an employee, offered to rehire the same employee, and they declined the offer?
No. The SBA and Treasury intend to issue an interim final rule excluding laid-off employees whom the borrower offered to rehire (for the same salary/wages and same number of hours) from the CARES Act’s loan forgiveness reduction calculation. The interim final rule will specify that, to qualify for this exception, the borrower must have made a good faith, written offer of rehire, and the employee’s rejection of that offer must be documented by the borrower. Employees and employers should be aware that employees who reject offers of re-employment may forfeit eligibility for continued unemployment compensation.

What if my employee headcount is reduced due to circumstances not related to COVID-19?
The Loan Forgiveness Application provides a new FTE Reduction Exemption for borrowers whose employees were (1) fired for cause, (2) voluntarily resigned, or (3) voluntarily requested and received a reduction of their hours.

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.

I’m an independent contractor/self-employed. What if I don’t have enough business expenses to make up 25% of my loan?
You may have a few options if you do not have enough expenses outside of your own compensation to make up 25% of your total loan amount:

1. Work with your lender to negotiate a lower loan amount
2. Keep the remaining balance as a 1% interest, 2 year loan
3. Return the unspent balance. There is no penalty for PPP loan prepayment.

When will I receive my loan?
Lenders are required to disburse loan money within 10 days of SBA approval.

What if my application is denied?
If you are denied by your bank, you can submit a new PPP loan application through a different lender. If you are denied by SBA, you may not reapply for a PPP loan.
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.