

CARES Act Overview

Presented for the Cleveland Metropolitan Bar Association

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March 31, 2020



PAYCHECK PROTECTION PROGRAM - FAQs

- **Who qualifies?**

- Businesses which do not employ more than 500 employees
- In general, 501(c)(3) and 501(c)(19) non-profits with 500 employees or fewer
- Businesses which do not meet the applicable size standard for the industry as provided by the SBA's existing regulations
- Sole proprietors, independent contractors, other self-employed or "gig" workers

- **What amount can be borrowed?**

The lesser of: (1) the sum of the average monthly payroll costs for the 1-year period ending on the date the loan was made (different calcs for seasonal employers) x 2.5 and any other disaster loan that has been refinanced in the PPP, or, (2) \$10M

PAYCHECK PROTECTION PROGRAM - FAQs

- **What can the funds be used for?**
 - Payroll costs
 - Employee salaries
 - Commissions
 - Costs related to group health care benefits (including sick, medical or family leave and insurance premiums)
 - Interest payments on mortgage obligations or other debt obligations incurred prior to February 15, 2020
 - Rent
 - Utilities

PAYCHECK PROTECTION PROGRAM - FAQs

What are payroll costs?

The sum of:

- Wages, commissions, salary or similar compensation to an employee or independent contractor;
- Payment of cash tip or equivalent;
- Payment for vacation, parental, family, medical or sick leave;
- Allowance of dismissal or separation
- Payment for group health care benefits (including premiums);
- Payment of retirement benefit; and
- Payment of state or local tax assessed on the compensation of an employee.

PAYCHECK PROTECTION PROGRAM - FAQs

Payroll costs do NOT include:

- The compensation of an individual employee in excess of an annual salary of \$100,000, as prorated for the covered period.
- Payroll taxes.
- Compensation of an employee whose principal place of residence is outside the U.S.
- Qualified sick leave or family medical leave for which a credit is allowed under the Families First Coronavirus Response Act passed last week.

PAYCHECK PROTECTION PROGRAM - FAQs

- **What is the impact of layoffs, salary reductions or furloughs?**

Layoffs, salary reductions and furloughs do not impact the ability to apply or receive a loan, or the how loan proceeds may be used.

However, these will impact the amount of the loan which may be forgiven.

PAYCHECK PROTECTION PROGRAM - FAQs

What amount is forgiven?

- an amount equal to the amount actually paid:
 - for payroll costs (calculations are based on the number of full-time employees (FTEs))
 - interest payments on mortgages (not other debt obligations),
 - rent and utilities during the covered period (defined as the 8-week period beginning on the date of the origination of the loan).
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- The forgiven amount is subject to reduction if there is (i) a workforce reduction or (ii) a reduction in salary or wages 25%+.
 - Exemption for those terminated or received salary reduction 2/15/20 - 30 days after the Act (4/27/20) but rehired / wages restored by June 30, 2020

PAYCHECK PROTECTION PROGRAM - FAQs

- **How do I apply?**

Call your bank or credit union. Online applications at [sba.gov](https://www.sba.gov) in process.

- **Information needed to apply?**

- IRS payroll tax filings
- payroll reports for the last 12 months
- Number of full time employees
- State income, payroll, and unemployment insurance filings
- Verifying payments on leases obligations, mortgage obligations, and utility payments (ie- cancelled checks, payment receipts)

INTERPLAY OF PROGRAMS

- Paycheck Protection Program
- Economic Injury Disaster Loans (EIDL)
- SBA Debt Relief Programs

QUESTIONS?

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