



CAREs Act - FAQs

Q. What is Paycheck Protection?

- A.** The CAREs Act provides a \$349 billion lending facility modeled on the Small Business Administrations (SBA) existing program.

Q. What period of time does this cover?

- A.** Eligible small businesses can get a loan to cover costs incurred between February 15, 2020, and June 30, 2020. This is referred to as the “covered” period.

Q. Who can apply for and get one of these loans?

- A.** Businesses that meet the SBA’s “small business concern” definition, as well as businesses with up to 500 employees, are eligible. All types of businesses can apply including nonprofits, veterans organizations, Tribal business concerns, sole proprietorships, self-employed individuals and independent contractors with fewer than 500 employees. Certain hospitality and foodservice companies, whose NAICS code begins with “72” are afforded special considerations. 501(c)(3) non-profit organizations are also eligible for these loans.

Q. Which employees are counted in my total number of employees?

- A.** Your total number of employees includes your full-time and part-time employees, in addition to individuals who work for you seasonally or on a temporary basis. In addition, using a PEO does not impact the way you count your total employees or eligibility.

Q. How much can I borrow to sustain my business?

- A.** The maximum amount you can borrow is 2.5 times your average monthly “payroll costs”, based on a 12-month look back, not to exceed \$10 million.

Q. How do I determine my payroll costs?

- A.** Payroll costs include compensation paid to employees and self-employed contractors, capped at \$100,000 per year per individual, prorated over the covered period. Compensation above \$100,000 is excluded for the purposes of this calculation. In addition to compensation, “payroll costs” can be interpreted according to the existing SBA definition. This means that your calculation in applying for a loan amount can also include cash tip equivalents, the cost of health benefits (including premiums), the cost of retirement benefits, the cost of leave (e.g., vacation, family, and sick leave), and the payment of state or local taxes assessed on employee compensation.

Q. What are the loan terms?

- A.** The loan will be issued via the SBA's network of 7(a) program lenders and will be 100% guaranteed by the SBA. Having available credit from other sources does not disqualify you. There are no application fees or closing costs allowed and there is no collateral or personal guarantee required. The maximum rate lenders can charge is 1% and the maximum loan term is 10 years. The first 6 months of payments (principal and interest) are automatically deferred. The deferral period can be extended up to a year.

Q. What can I use the loan for?

- A.** Proceeds can be used during the 8-week period after loan origination for payroll costs, mortgage interest payments, rent, utilities, and interest on the prior debt.

Q. Do I have to pay the loan back?

- A.** A portion of your total loan would be eligible for forgiveness in the amount equal to your payroll costs as well as any interest paid on covered mortgage obligations, covered rent obligations, and covered utility payments between February 15, 2020, and June 30, 2020. Forgiven amounts will not be taxable as income to your business. Covered obligations must have been in place prior to February 15, 2020.

Q. Can my loan forgiveness be reduced?

- A.** The loan amount ultimately forgiven by the federal government will be reduced by the number of employees laid off or experiencing salary reductions of more than 25% prior to, or during, the period between February 15, 2020, and June 30, 2020.

Q. How will I receive loan forgiveness?

- A.** To be eligible for forgiveness, you should expect that you will have to verify the employees kept on payroll and the wages paid to these employees as well as any other qualified expenses between February 15, 2020, and June 30, 2020.

Q. What if I already laid off some of my employees?

- A.** This program's intent is for you to be able to keep your people on payroll. If you re-hire employees that you previously laid off after February 15, 2020, and/or you restore the salary for those employees that may have seen a wage reduction, no later than June 30, 2020, any corresponding reduction in loan forgiveness can be avoided.

Q. When and how can I apply for a loan?

- A.** The [application](#) and [information sheet for borrowers](#) have been posted on the Treasury Department's [CARES Act Resources Page](#). After you gather the information described on the application form you should contact your bank or approved lending institution to start the application process. If your current bank is not an approved SBA lender then you can contact the SBA to find one.

Q. When will the small business loans be made available?

- A.** Loans will be available starting Friday, April 3, 2020. The treasury department states that it may take up to a week for businesses to receive their loans.

Q. What other options are available to me if I don't want to participate in the loan forgiveness program?

- A.** You may be eligible for a retention credit, which is a fully refundable 50% tax credit applicable to the employer's share of payroll taxes on wages up to \$10,000 per employee. To be eligible, you must demonstrate that your operations were suspended because of an official government order related to COVID-19, or that your gross receipts declined by at least 50% compared to the same quarter in 2019.
- B.** The CARES Act also provides employers who do not seek loan forgiveness a temporary payroll tax holiday. This would give you the option to defer payment of the employer share of Social Security taxes for the period beginning on the day of the enactment of the Act, March 27, 2020, and ending before January 1, 2021. The deferred amounts would then be due 50% by December 31, 2021, and the remaining amount by December 31, 2022. Under the CARES Act, and in the eyes of the IRS, employers would retain sole liability for the eventual payment of these deferred taxes, regardless of whether they use a PEO/CPEO.

Q. What unemployment options are there for our employees if we need to reduce our workforce or furlough employees?

- A.** Under the CARES Act employees will be eligible to apply for state unemployment benefits. In addition to receiving the state unemployment benefit, there is also a provision to provide employees an additional weekly payment of \$600 from the federal government.