



April 3, 2020

Fast Facts on the Paycheck Protection Program

The Small Business Administration has released additional guidance on how the Paycheck Protection Program will be carried out. Here's are quick updates doctors of optometry need to know:

- 1. Independent Contractors:** SBA has indicated that independent contractors DO NOT count as employees for purposes of PPP loan calculations. SBA indicated, "independent contractors have the ability to apply for a PPP loan on their own so they do not count for purposes of a borrower's PPP loan calculation."
- 2. Interest Rate:** SBA has clarified that the interest rate on the PPP loan will be 1%.
- 3. Deadline:** SBA has indicated that "the last day to apply for and receive a loan is June 30, 2020."
- 4. Documentation Needed for Application:** SBA has provided general guidance on the type of documentation that will be needed to apply for a loan, but your bank may request additional information. SBA indicated, "You must also submit such documentation as is necessary to establish eligibility such as payroll processor records, payroll tax filings, or Form 1099- MISC, or income and expenses from a sole proprietorship. For borrowers that do not have any such documentation, the borrower must provide other supporting documentation, such as bank records, sufficient to demonstrate the qualifying payroll amount."
- 5. Payroll Costs Defined:** Payroll costs are defined as "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, wage, commissions, income, or net earnings from self-employment or similar compensation."
- 6. PPP and Economic Injury Disaster Loan (EIDL):** SBA has clarified you can apply for both PPP and an EIDL. SBA does note, "If you received an SBA EIDL loan from January 31, 2020 16 through April 3, 2020, you can apply for a PPP loan. If your EIDL loan was not used for payroll costs, it does not affect your eligibility for a PPP loan. If your EIDL loan was used for payroll

costs, your PPP loan must be used to refinance your EIDL loan. Proceeds from any advance up to \$10,000 on the EIDL loan will be deducted from the loan forgiveness amount on the PPP loan.”

7. Calculating Payroll: SBA has provided general guidance for calculating payroll costs:

SBA notes, “The following methodology, which is one of the methodologies contained in the Act, will be most useful for many applicants.

Step 1: Aggregate payroll costs from the last twelve months for employees whose principal place of residence is the United States.

Step 2: Subtract any compensation paid to an employee in excess of an annual salary of \$100,000 and/or any amounts paid to an independent contractor or sole proprietor in excess of \$100,000 per year.

Step 3: Calculate average monthly payroll costs (divide the amount from Step 2 by 12).

Step 4: Multiply the average monthly payroll costs from Step 3 by 2.5.

Step 5: Add the outstanding amount of an Economic Injury Disaster Loan (EIDL) made between January 31, 2020 and April 3, 2020, less the amount of any “advance” under an EIDL COVID-19 loan (because it does not have to be repaid).