NCFC WEBINAR: SBA’S PAYCHECK PROTECTION PROGRAM AND FARMER CO-OPS
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Loan and Grant Options/Tax Credit

- Paycheck Protection Program and Loan Forgiveness
- Economic Injury Disaster Loan and EIDL Grants
- ERC Tax Credit
Paycheck Protection Program

• $349,000,000,000 total available. First come first serve!

• For-profit small businesses (500 or fewer employees), sole-proprietors, independent contractors and the self-employed are generally eligible.

• Non-profits under 501(c)(3), veterans organization under 501(c)(19) and Tribal business concerns are eligible.
PPP Loan

- This is a Small Business Administration (SBA) loan program, which will be administered through private lenders (i.e. banks)

- Starting April 3, 2020, small businesses and sole proprietorships can apply and starting April 10, 2020, independent contractors and self-employed individuals can apply

- Each borrower can only get one PPP loan
PPP Loan Amount and Purpose

- The purpose is to assist small businesses (less than 500 employees or a business that operates in a certain industry and meet the applicable SBA employee-based size standards for that industry, such as food service/accommodation businesses that have less than 500 employees in each location) to retain employees and maintain payroll.
- Cap of $10 million
- Loan amount will be equal to 2 1/2 times the average monthly payroll costs based on the prior year.
PPP Loans: What is “payroll”? 

- Payroll costs consist of 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.
PPP Loans: What is “payroll” for independent contractors?

- For an independent contractor or sole proprietor: wage, commissions, income, or net earnings from self-employment or similar compensation.
PPP Loans: What is excluded from “payroll”?

- 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,
- Qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act.
PPP Loans: Independent Contractors

- Do independent contractors count as employees for purposes of PPP loan calculations?
  - No!

  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.
PPP Loan, cont.

• Loan may be used to pay certain business expenses, including:
  o employee salaries;
  o vacation,
  o parental, family, medical or sick leave;
  o group health care and retirement benefits;
  o income withholding taxes;
  o and mortgage interest, lease and utility payments.
PPP Loan terms

- Interest rate is 1%
- Term is 2 years
- No collateral needed
- No personal guarantee needed
PPP Loan Qualifications

- To qualify, a business must:
  - (1) have been in operation since February 15, 2020;
  - (2) have paid salaries, payroll taxes, or Form 1099 non-employee compensation; and
  - (3) meet size limitations (e.g., 500 or less employees, with some exceptions).
    - Certain “affiliation” rules still apply
PPP Loan Application

- Eligible small businesses must apply before June 30, 2020. Payment of principal, interest and fees under a PPP loan may be deferred.
- For PPP loans obtained between February 15, 2020 to June 30, 2020, the PPP lender will allow a complete deferment of repayment of at least 6 months, and up to a maximum of one year.
- A business that obtains a PPP loan will be ineligible for certain other benefits under the Act. For example, a business that obtains a PPP loan is not eligible for the employee retention tax credit.
PPP Loan Forgiveness Program

- PPP borrowers are eligible for loan forgiveness equal to the lesser of (1) the principal amount of the PPP Loan or (2) total Eligible Costs incurred for an 8-week period starting from the PPP loan origination date (such period the “Covered Period”).
- “Eligible Costs” include (i) payroll costs, (ii) payment of interest on a covered mortgage obligation, which existed before February 15, 2020, (iii) rent obligations, which existed before February 15, 2020; and (iv) utility payments, which were in effect before February 15, 2020.
- Not more than 25 percent of the loan forgiveness amount may be attributable to nonpayroll costs.
PPP Loan Forgiveness Qualifications

- To qualify, the lender will require detailed supporting documentation.
- The borrower also must certify that: (1) the uncertainty of current economic conditions justifies the loan request to support ongoing operations, (2) the supporting documentation provided by the borrower is true and correct, and (3) the funds expended were used to retain employees.
- An otherwise eligible recipient of loan forgiveness will be denied if the required documentation is not submitted to the lender.
PPP Loan Forgiveness Requirements

• Borrowers will also owe money if you do not maintain your staff and payroll. Loan forgiveness will be reduced if full time employee headcount is reduced or if salaries for people who make less than $100,000 are reduced by more than 25%

• If you’ve already reduced staff: You have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.
PPP Loan Forgiveness Reductions

- The amount of forgiveness is reduced by reductions in salary or wages during the Covered Period in excess of 25% (excluding employees with salaries in excess of $100,000) and, by formula, for work reduction. EIDL Grants are also considered in applications for PPP loan forgiveness. The formula testing work reduction is as follows:
  - Lesser of: (1) PPP loan principal OR
  - (2) 8 weeks of Eligible Costs
  - MULTIPLIED BY
  - average # FTEs per month during Covered Period
  - (1) average # FTEs per month 2/15/19-6/30/19;
  - or (2) average # FTEs per month 1/1/20-2/29/20
PPP Loan Paperwork

- The applicant must submit SBA Form 2483 (Paycheck Protection Program Application Form) and payroll documentation.
- The lender must submit SBA Form 2484 (Paycheck Protection Program Lender’s Application for 7(a) Loan Guaranty) electronically
PPP Loans: What if a Borrower Misuses the Funds?

• If you use PPP funds for unauthorized purposes, SBA will direct you to repay those amounts.
• If you *knowingly* use the funds for unauthorized purposes, you will be subject to additional liability such as charges for fraud.
• If one of your shareholders, members, or partners uses PPP funds for unauthorized purposes, SBA will have recourse against the shareholder, member, or partner for the unauthorized use.
Economic Injury Disaster Loan

- The existing Economic Injury Disaster Loan (EIDL) program has been expanded.
- Principal up to $2 million
- A low-interest working capital loan available to small businesses, small agricultural co-ops and certain nonprofits. Rates are 3.75% for small businesses and 2.75% for nonprofit organizations.
- Term is up to 30 years.
Employee Retention Credit and Payroll Taxes

• This does not apply to businesses that have taken out PPP loans, nor does it apply to state or federal governments or their instrumentalities.

• Under the Act, employers are entitled to credits against payroll taxes for wages paid between March 12, 2020, and before January 1, 2021, as well as for certain expenses incurred with respect to employer-maintained health plans.
Summary

• Loans include PPP loans with forgiveness and EIDL loans with grant are available for small businesses

• The Act expands tax breaks for retaining employees but cannot be claimed if there’s a PPP loan
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Any Questions?

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Thank You!
Thank you for your participation!

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