



PAYCHECK PROTECTION PROGRAM



<http://ruralcommunities.tamu.edu> - Small Business Resilience



Paycheck Protection Program (PPP)

- Funds support people working and business operations
- Employee compensation (wages and benefits) up to \$100K per employee annually
- Up to 8 weeks of last year's payroll + 25%
- 75% must go to payroll for loan forgiveness
- 1% interest; 100% guarantee; 2-year term
- 1 PPP loan per business, so plan ahead (payroll, rent, mortgage, utilities)
- Max loan = 2.5 x 2019 monthly average payroll up to \$10M million



Paycheck Protection Program (PPP)

- 2-page application (SBA.gov)
- Banks may have additional forms
- Documentation: Tax info
- Loans are made through banks, Farm Credit, etc.
 - Challenge for unbanked customers and small banks.
 - Try multiple banks where you have an account.



Paycheck Protection Program (PPP)

- ❑ Businesses with fewer than 500 employees
- ❑ Some businesses with more than 500 employees are also eligible
- ❑ Employees principal place of residence must be in the United States

- ❑ Tax-exempt non-profits and veteran organizations
- ❑ Tribal business concerns

Loan Forgiveness

- Employment and salaries must be restored by June 30, 2020
- Unknown how changes to unemployment eligibility will affect loan forgiveness
- Reductions if:
 - ▣ Full-time employee headcount decreases (unemployment challenge)
 - ▣ Wage decreases more than 25% for any employee
 - ▣ Less than 75% of loan for payroll
- Penalties if funds used for non-qualified uses



PPP for Farms

- Farm with no employees can use their net farm income from 2019 Schedule F toward the owner(s)' compensation up to the \$100,000 salary limit
- H2A workers are probably not eligible; some exceptions may apply. Talk with your lender.

Ag (and Tourism) Concerns

- Seasonality – Lenders can consider if the business was in operation on February 15, 2020 or for an 8-week period between February 15, 2019 and June 30, 2019.
- “For seasonal businesses, the applicant may use average monthly payroll for the period between February 15, 2019, or March 1, 2019, and June 30, 2019. An applicant that was not in business from February 15, 2019 to June 30, 2019 may use the average monthly payroll costs for the period January 1, 2020 through February 29, 2020.” (FAQ, p. 4)
- Average employment over same time periods.



Future Contingencies

- Unknown if PPP will have a third round
- Economic Injury Disaster Loan (EIDL) - up to \$2 million for working capital (e.g. payroll)
- EIDL COVID-19 related assistance program (including EIDL advances) not accepting applications (funding has lapsed)
- EIDL farm eligibility needs clarity
- List of other non-COVID funding sources for rural communities (not businesses) is posted with this ppt



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