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Basic PPP & EIDL Questions:

Q: What is the difference between SBA Disaster Relief Loan (EIDL) and the Paycheck Protection Program (PPP) Loan?

A: EIDL is applied directly to SBA via sba.gov and funded by US Treasury. PPP is applied at SBA lenders/banks and funded by banks

Q: Where can you apply?

A: For the EIDL via the SBA website, and for the PPP via an SBA partner bank (check with your bank contact, or ask [Stage 1 Financial](#) for a referral) or agent (accountant, lawyer etc.).

*Update: Not all banks are accepting PPP applications and some are only accepting applications from current clients. Wells Fargo announced they are no longer accepting applications and any applications filed after April 5th with automatically be rejected. **PPP loans will be available through June 30 or until the funds run out – file ASAP.***

Q: Can you apply for both PPP and EIDL?

A: Yes- but do not double-dip on payroll expense. *Update: SBA guidance allows you to apply for a PPP loan in addition to an EIDL, so long as you don't use the funds from each loan for the same expenses. For example, if you decide to apply for a PPP loan and use those funds strictly for payroll, you ca not subsequently use funds from an EIDL for payroll, as well.*

Q: What happens if you apply for both PPP and EIDL?

A: Disclose on PPP app that you've applied for EIDL. Disclose if you received any funding. Ensure you're not double-dipping for payroll and related expenses

Q: After the application is submitted – how long until you hear back?

A: TBD - Expected response times are still pending government communication.

Q: What happens if I applied for EIDL before the PPP Act was launched?

A: Nothing bad. You can apply for both, and this should not have an impact on your PPP eligibility.

Q: What are the PPP coverage dates? Does it backdate or start at the time of the loan?

A: The loan value is calculated on previous monthly payroll costs, with the loan likely received as a lump sum which will most likely represent the start date. *Update: The covered period is eight weeks from the funding of the PPP loan. If the loan recipient exhausts their PPP loan proceeds in six weeks and uses EIDL proceeds to pay the remaining two weeks, or vice versa, they have not double dipped and the entire eight weeks' expenditures are forgiven. The two weeks of EIDL will roll into the PPP loan. Or, use all of the PPP proceeds on covered payroll costs and the EIDL on the other covered costs.*

Q: Is PPP available to businesses that are owned by a green card holder?

A: Yes!

Q: Can these loans cover the purchase of inventory or vendor invoices?

A: PPP- *Update: At least 75% of the PPP loan must be spent on payroll costs (see table below) leaving up to 25% to spend on other covered expenses.* EIDL- Yes for expenses that could have been paid if the disaster had not happened

Q: Can you address and clarify the OSHA rule compliance in the small print portion of the PPP?

A: Federal OSHA has three primary requirements that come into play for employers addressing the spread of the COVID-19 virus: (1) the general duty clause; (2) personal protective equipment; and (3) recording and reporting requirements. Refer to www.osha.gov for compliance guidelines.

Q: When can we expect disbursement of the \$10k on the EIDL loans?

A: Unknown at this time. *Update: After you submit your application you will be assigned a loan officer. The quicker you respond to any questions they have, the faster your application will be processed. The SBA says your \$10,000 loan advance should come in about 3 days. The EIDL loan, since this involves an unprecedented amount of money over the entire country, it will take longer.*

Q: What is the interest rate for a PPP loan?

A: *Update: The interest rate on PPP loans is now 1 percent. Originally the interest rate was set to 4 percent with a repayment term of 10 years. Then it was lowered to half-a-percent with a repayment term of two years. The newest provisions raise the interest rate to 1 percent, with a two-year repayment term. While you won't need to make any payments for*

six months following the date of disbursement of the loan, interest will continue to accrue over the period.

Q: What are the disqualification standards?

A: Update: Automatic PPP include if you or any owner are presently suspended, disbarred, or proposed for disbarment, if you are declared ineligible or voluntarily excluded from participation in the transaction by any federal department or agency or presently involved in any bankruptcy, if you or any other owner has obtained a direct or guarantee loan from the SBA or any other federal agency that is currently delinquent or has defaulted in the last seven years.

LLC/S/C Corp-based Questions:

Q: If we have multiple units all with separate payroll running LLCs but are owned by a holding company, should we apply for the PPP under our holdings company or a separate application for each LLC?

A: Separate LLCs.

Q: Are business owners (employees of an S-Corp) considered eligible to pay themselves with the \$10,000 EIDL and the PPP funds?

A: It is suggested you do not pay for payroll related expenses using the EIDL, rather use PPP to be forgiven. *Update: At least 75% of the PPP loan must be spent on payroll costs (see table below) leaving up to 25% to spend on other covered expenses.*

Q: As a C-Corp, is there a way to bypass the 20% shareholder to sign off?

A: NO. Not under the current guidelines.

Q: If we have no single owner with more than 20%, does that cause any problems for EIDL application?

A: It should not cause any problems.

Employee/Contractor-based Questions:

Q: What should we tell our staff?

A: We recommend providing employees with as much notice as possible regarding a furlough or layoff. The notice should typically be in writing. Generally, such notices address

various issues, including the expected duration of the furlough or layoff, its impact on employee pay and benefits, and the unemployment benefits available to employees, amongst others. Additionally, businesses should be aware of various legal requirements in connection with laying off or furloughing employees, including notice requirements under the WARN Act, COBRA and other statutes, as well as wage and hour and other legal requirements under federal, California and/or local laws (amongst many others). We recommend speaking with an attorney before laying off or furloughing employees to ensure the layoff or furlough is executed properly and in accordance with all legal requirements, as there are many employer-specific considerations that may impact how the layoff or furlough is conducted. John Wicker (jwicker@sycr.com) and Karla Kraft (KKraft@sycr.com) would be happy to advise you on the myriad of legal issues that may be raised by an employee layoff or furlough.

Q: Can PPP be used to pay essential contractors? Do they count in the PPP loan calculation?

A: 1099 Contractors are expected to be part of a separate PPP application process to be determined. *Update: Independent contractors and self-employed individuals can apply for PPP loans beginning April 10.*

Q: Are part-time employees included in the payout?

A: If they receive a W-2, then we assume yes.

Q: Does PPP work for companies where most employees are free lancers or agencies?

A: 1099 Contractors are expected to be part of a separate PPP application process to be determined. *Update: Independent contractors and self-employed individuals can apply for PPP loans beginning April 10.*

Q: How do we handle employees terminated due to performance-based issues?

A: Best procedures include:

- Ensure that your claim against the employee is not discriminatory in any way.
- Document their performance and point out any issues to them.
- Follow your company policy on termination.
- Schedule a meeting to review their performance.
- Check-in with the employee during probation.
- Schedule a meeting to terminate them, and have someone from HR or another manager present to act as a witness.
- Incentivize them to sign a release form, releasing your company from any liability.

Q: Is paid family leave a different process than unemployment?

A: Yes. edd.ca.gov - If you're unable to work because you are caring for an ill or quarantined family member with COVID-19, you are encouraged to [file a Paid Family Leave \(PFL\) claim](#). PFL provides up to six weeks, this extends to eight weeks starting July 1, 2020, of benefit payments to [eligible workers](#) who have a full or partial loss of wages because they need time off work to care for a seriously ill family member or to bond with a new child. For the purposes of PFL coverage, a family member is defined as a seriously ill child, parent, parent-in-law, grandparent, grandchild, sibling, spouse, or registered domestic partner.

If you are subject to quarantine, are not ill/taking care of an ill family member, you are encouraged to apply for Unemployment Insurance (UI) benefits if you are unemployed, which includes reasons such as:

- Your hours are reduced due to the quarantine.
- You were separated from your employer during the quarantine.
- You are subject to a quarantine required by a medical professional or state or local health officer.

Q: How many weeks can an employee be furloughed?

A: The specific terms of a furlough depend on where you work. You can be furloughed for as short as a few weeks, or as long as months. During this leave, it's likely you'll retain health-insurance benefits, BUT that's not guaranteed. Furloughed workers can still [qualify](#) for unemployment benefits, which have [expanded](#) under the \$2 trillion coronavirus relief package that was passed last week.

Q: Does unemployment enhancement apply to work-share as well? (eg, California lets you reduce hours 40% and top-up wages)

A: Under such a program, employees whose hours have been reduced would receive pro-rated unemployment benefits, and the federal government would fund 100% of the costs employers incur by retaining employees at reduced hours through December 31, 2020. This is intended to provide an incentive for employers to reduce employee hours in lieu of laying off employees.

Payroll Questions:**Q: Is a K1 partner receiving guaranteed monthly payments as a salary considered self-employed?**

A: Yes. Partners in a partnership (including certain members of a limited liability company (LLC)) are considered to be self-employed, not employees, when performing services for

the partnership. ... General partners must also include guaranteed payments as net earnings from self-employment.

Q: Are the 20% owners (founders) eligible for payroll too?

A: Yes, IF they received paycheck historically.

Bank/Calculations/Applying for Loan Questions:

Q: Can/should one pursue the PPP application with multiple banking institutions?

A: NO - only one loan is permitted.

Q: What date span should we use to average employees salary?

A: The guidance on the application form (available on the SBA website) is as follows:

“For purposes of calculating “Average Monthly Payroll”, most Applicants will use the average monthly payroll for 2019, excluding costs over \$100,000 on an annualized basis for each employee. For seasonal businesses, the Applicant may elect to instead use average monthly payroll for the time period between February 15, 2019 and June 30, 2019, excluding costs over \$100,000 on an annualized basis for each employee. For new businesses, average monthly payroll may be calculated using the time period from January 1, 2020 to February 29, 2020, excluding costs over \$100,000 on an annualized basis for each employee.”

Q: Is the loan amount based on only salaried payroll or total payroll?

A: Total payroll including e.g. benefits.

Q: Why does the application need the personal tax information of members owning over 20%?

A: Standard procedure.

Q: What is included in payroll cost of 1099s? Rent, lawyer, marketing agency...?

A: According to the [irs.gov](https://www.irs.gov):

- At least \$10 in royalties or broker payments in lieu of dividends or tax-exempt interest.
- At least \$600 in:
 - Rents.
 - Services performed by someone who is not your employee.

- Prizes and awards.
- Other income payments.
- Medical and health care payments.
- Crop insurance proceeds.
- Cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade or business of catching fish.
- Generally, the cash paid from a notional principal contract to an individual, partnership, or estate.
- Payments to an attorney.
- Any fishing boat proceeds.

Q: If we already applied via the SBA website, why do we need to go through a bank too?

A: Because there are two loans available: EIDL loan to be applied at sba.gov, PPP loan must be applied for with a bank.

Loan Forgiveness Questions:

Q: Is it total headcount or is it individual people? Ex: If Joe is laid off and Sam is hired, do that still qualify for forgiveness?

A: Most likely, Joe needs to be back on the payroll at a similar pay level.

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