RILEY ◆ JACKSON
ATTORNEYS

UNDERSTANDING THE PAYCHECK PROTECTION PROGRAM

The United States Senate passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 25, 2020. Included in the roughly 820-page bill is the creation of the **Paycheck Protection Program**, a "lifeline" program designed to allow small businesses to make their payroll for a 2-month period ending June 30, 2020 by applying for a potentially forgivable loan with an approved lender.

HOW CAN RILEY & JACKSON HELP?

- Understanding and navigating this unprecedented, forgivable loan process requires interpretation and application of statutory and administrative rules and guidelines, some of which have not yet been implemented and published. The scope and mechanics of this loan process extend well beyond the traditional SBA Section 7(a) Loan Program. Without appropriate legal guidance, borrowers risk losing the loan forgiveness feature of the program. Riley & Jackson has deep experience with regulatory compliance and small business legal guidance.

WHICH SMALL BUSINESSES QUALIFY?

- Any small business qualifies provided they were (a) operational as of February 15, 2020 and (b) paying salaries and payroll taxes or paying and reporting 1099 contractors.
- A small business is defined as having 500 employees or fewer, which includes all full-time, part-time, and other status employees. Nonprofits and veterans' organizations are included.
- A qualifying borrower must certify in good faith that (a) the uncertainty of the current economic conditions makes the loan necessary, (b) the funds will be used for "allowable uses," and (c) the borrower has not and will not make another application under the program.

HOW IS THE AMOUNT OF THE LOAN CALCULATED?

- Except for seasonal employers, the loan is based on the average payroll cost of a qualifying borrower for the 12 months preceding the date of the loan. Payroll costs include the sum of all: (a) salaries and wages (up to $100K per employee), (b) paid leave, (c) group healthcare premiums, (d) retirement benefits, (e) state and local payroll taxes, (f) separation allowance, and (g) cash tips paid by the borrower; or 1099 payments made. A qualifying borrower can receive a loan for their average monthly payroll cost multiplied by 2.5, not to exceed $10,000,000.

HOW IS THE LOAN FORGIVEN?

- A borrower must use the loan for a period of 8 weeks to pay for "allowable uses," which include: (a) any of the payroll costs identified above, (b) mortgage interest (not principal), (c) rent (including lease rent), or (d) utilities.
- A borrower must certify compliance upon the completion of the loan through documentation and employment verification.

Riley & Jackson, P.C. already represents numerous small businesses with the application process and compliance assistance

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