



## **CARES ACT: Small Business Administration Paycheck Protection Program Frequently Asked Questions and Answers**

Below are resources and responses to the questions that were raised on the United Way Worldwide March 31<sup>st</sup> webinar on the SBA loan program. The responses below represent United Way Worldwide's interpretation of the SBA guidance and analysis provided by our national partners and policy experts.

We strongly recommend that you speak with your lender with questions about your specific application. In addition to UWW resources, your United Way state association may be able to assist, or contact the SBA at [answerdesk@sba.gov](mailto:answerdesk@sba.gov) or SBA help line 1-800-827-5722 for additional information.

We encourage you to act quickly to apply for a Payroll Protection Program loan. As described in the resources below, this loan converts to a grant at the end of the year so long as you use the loan proceeds primarily for your payroll.

**The application process opens on April 3, 2020.** You should contact an SBA approved lender as soon as possible as the funds of this program will likely run out and most loans will be processed on a first come first served basis.

### **Guidance and Resources for United Ways:**

- To view a recording of the webinar presented by Steve Taylor, Senior Vice President and Counsel for Public Policy at United Way Worldwide, [click here](#).
- For guidance from the SBA on the Paycheck Protection Program, [click here](#).
- For guidance from the Treasury Department on the Paycheck Protection Program, [click here](#).
- The U.S. Chamber of Commerce has also issued updated guidance for small business and nonprofits. [Click here to access their guidance on calculating your loan amount](#).
- Independent Sector has issued guidance on the documents nonprofits need to prepare in order to apply. [Click here for their fact sheet](#).
- For additional clarification on applying, we recommend you contact your SBA regional office, which can be found [here](#) or an approved SBA lending institution in your community.
- Note: The SBA is intending this to be a streamlined process in order to be able to provide loans to small businesses and nonprofits quickly.



### Payroll definitions, calculating loan amount basics

**What is the time period should be used for the average monthly salary calculation? Calendar 2019?**

**Per SBA guidance included in the sample application, use 2019 excluding costs over \$100,000 on annualized basis per employee.**

**Do payroll costs include gross wages, bonuses, commissions, employer group benefits and retirement plan contributions and state payroll taxes?**

**Yes, see the full list of payments that are included [here](#).**

**Is the loan amount based only on payroll or payroll and cost of benefits (medical, dental, others)?**

**Payroll and the employer's cost of benefits.**

**When calculating eligible amount, do we include FICA and Medicare?**

**No, payroll taxes are excluded.**

**Does the health insurance need to be "group administered"? What about those that reimburse a percentage of employee health insurance that they procure on their own? What about PEOs?**

**Any payment for employee health care benefits qualifies.**

**Should liability insurance be included in the expense calculation?**

**Liability insurance is not included.**

**If we have less employees than we had 6 months ago, would the payroll dollars for the employees that are no longer employed be used in the calculation?**

**The calculation is the average over the 12 months in 2019. For forgiveness (Beginning March 15, 2019).**

**What if we don't have any rental or utility expenses? Would we still multiply monthly payroll by 2.5 for calculating the loan amount?**

**Yes. Loans can be up to 2.5 times your average monthly payroll costs but you do not need to borrow the full amount.**

### Types of Employees Included in Paycheck Protection Program

**Does this program apply to full time employees only? Are contract employees included in the calculation of payroll expense? Are temporary employees included in the calculation of payroll expense? What about seasonal employees like VITA Site Coordinators?**

**Your employees are included in calculation of the loan amount. That includes full-time, part-time, and temporary employees if they are on your payroll. If they are**



independent contractors then they are not your employees and don't count towards your payroll. If you provide them a 1099, then they are not your employee.

**We discontinued our AmeriCorps program within the last 12 months, should we include those wages in our payroll calculation?**

Wages you paid in the 12 months are included for the calculation of the loan amount. Talk to your lender about unique circumstances.

**If payroll is paid by state and federal grants can you apply for the loan? Can the loan be used to cover grant funded salaries? What about federal grant funded salaries? If part of your payroll is paid through grants should you include that amount in your loan request?**

Grant funded positions apply, so long as the person is on your payroll. Regardless origin of funds to your United Way, you are responsible for their payroll expenses.

**We are the fiduciary for programs that reimburse full payroll expenses but run insurance, payroll taxes and payroll system through our United Way. Should I be excluding them from our calculation, or can they still be included?**

The question is whether the individuals are on your payroll. If so, then they are your employee regardless of whether the salaries are reimbursed. Check with your SBA lender for further guidance.

**Are volunteers who are paid a living stipend through payroll covered?**

They are likely included. Seek clarification from your lender.

### **Loan Forgiveness and Employee Count**

**If I have already cut hours of employees prior to applying how does that impact the PPP and forgiveness measures included in the loan?**

The purpose of the program is to keep people employed. Once you get the loan will enable you to increase hours for those employees. You will have to use 75% of the loan funds for payroll in the 8 weeks after you receive the funds to meet the forgiveness requirement.

**Can the start date be April 1 for the loan?**

You must use the proceeds of the loan in the 8 week period after you receive the proceeds and 75% of the proceeds must be used for payroll purposes. It would not likely be in your interest to start the loan period retroactively.

**If we terminate an employee in March for financial reasons not related to COVID-19 will this be counted against us for PPP?**



The purpose of the loan is to maintain the payroll and employment levels. You must use the proceeds of the loan in the 8 week period after you receive the proceeds to keep employees on the payroll and 75% of the proceeds must be used for payroll purposes.

Since this loan is based on your previous 12 months of payroll if someone left this past September on their own and we didn't replace that position but created a new position with fewer hours instead, does that affect our loan forgiveness?

This should not impact your forgiveness. You must use the proceeds of the loan in the 8 week period after you receive the proceeds to keep employees on the payroll and 75% of the proceeds must be used for payroll purposes.

What happens if an employee resigned in March? Is that considered a reduction in workforce and would the organization have to rehire the position by 6/30 to meet the criteria for forgiveness?

Seek SBA guidance on this. It likely does not impact forgiveness because the forgiveness requirements begin with receipt of the loan funds.

What happens if an employee resigns/leaves on their own accord (i.e. quits or retires) during the 8-week loan period?

Maintaining payroll is based on FTEs. If you reduce the number of employees during that 8-week period of forgiveness, your loan forgiveness may be reduced for the percentage of employees gone. There is some flexibility there, but you should talk to your lender.

What if you had a vacancy for several weeks prior to COVID that was not posted but had another new position start amid COVID - how does that impact the loan?

No impact. Forgiveness uses FTEs. The period for forgiveness is for the 8 weeks after receipt of loan dollars.

What if we have a vacancy that we have not been able to fill? Can we use the anticipated salary of a vacant position we intend to fill for our payroll calculation?

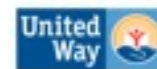
No. You cannot use that for calculation of the loan amount. But, you can use that filled position during the 8 week period after you receive the loan for calculating forgiveness.

We have a new hire planning to start 4/6/20. Are we able to count them in our payroll calculations for this program?

No, you cannot use that for calculation of the loan amount. But, you can use that filled position during the 8 week period after you receive the loan for calculating forgiveness.

If employees have reduced their hours by choice, do they need to go back to full time, or can they continue at reduced hours until June 30<sup>th</sup>?

You must use the proceeds of the loan in the 8 week period after you receive the proceeds to keep employees (based on FTEs) on the payroll and 75% of the pro-



ceeds must be used for payroll purposes. If you can't meet the FTE and 75% requirements for forgiveness with reduced hours, then your employees may need to come back to regular hours.

**Could we do a temporary furlough during the 8-week period if the employees are brought back on June 30?**

**No. The purpose of the loan is to prevent employees from being furloughed.**

**Or could we furlough prior to the 8-week period/loan origination date?**

**No, the payroll calculation is based on your average payroll in the previous 8 weeks.**

**Can we furlough employees until we receive the loan?**

**Seek SBA guidance. Probably not a good idea. Do you have reserves that can be used in interim? Again, talk to your lender or SBA guidance.**

**If we furloughed an employee before learning about PPP, should we bring them back?**

**You may need to meet the forgiveness requirements. You must use the proceeds of the loan in the 8 week period after you receive the proceeds to keep employees (based on FTEs) on the payroll and 75% of the proceeds must be used for payroll purposes.**

**Can I apply for the PPP and keep the staffing through 6/30 and if needed posted 6/30 need to lay off staff, can I get reimbursed for the long-term unemployment claims?**

**After you meet the requirements for forgiveness and after the 8 week time period is completed, you will be able to lay off staff. Whether you qualify of unemployment claims reimbursement is not affected by the PPP**

**Is the loan forgiveness based on retaining the same number of employees or the same payroll expenses?**

**Based on same number of FTEs, and no reduction in wages, not on payroll expenses. 75% of the forgiven amount must have been used for payroll.**

**I noticed that in some language about loans being forgiven you had to maintain full time employees. If we just have one part time employee would we qualify for no repayment if used correctly?**

**Yes, Congress wants you to hire people back, restore wages, etc. This doesn't eliminate you from those purposes. One part-time employee should qualify.**

### **Loan Terms and Eligible Expenses**

**What is the beginning date of the loans?**

**The 8-week period beginning on the date of the origination of the loan.**



**Is accrued interest being forgiven on the Paycheck Protection Program loans?**

**Yes, and payments are deferred for 6 months to provide time to apply for forgiveness.**

**If you do not use all the monies from first issue by the deadline and then there is a second phase will we be eligible for loan forgiveness on the first issue?**

**There is no way to know if there will be a second phase and what the terms will be. It's best to use all the funds for the designated purposes in the 8 week period. Unspent monies would have to be paid back with interest.**

**Or should we quickly return access monies to prevent any possible loan pay-back?**

**There is not a process for returning loan dollars. But you should be able to return unspent funds without a penalty aside from accrued interest on that portion of the unused funds.**

**What if I don't use the full loan amount in 8 weeks?**

**The forgiveness provisions only apply to the funds you use for designated purposes during the 8 week period. You would have to repay the unused funds with interest.**

**What is the loan cap for each organization?**

**\$10 million or 2.5 times average monthly payroll, whichever is lower**

**For accounting purposes, do payments have to be physically disbursed from the funds?**

**No.**

**How much are the payments before the loan is forgiven or granted?**

**Payments are deferred for 6 months. Technically, no payments will ever need to be made unless you did not meet the forgiveness criteria. You will have to submit documentation of your use of the funds to receive forgiveness.**

**What qualifies for Loan Amount compared to Permitted Uses of Loan Proceeds?**

**The loan amount is the 2019 average monthly payroll x 2.5. Permitted use of loans dollars includes other operational expenses besides payroll, i.e. rent, mortgage interest and utilities. At least 75% of the forgiven amount must have been used for payroll.**

**What expenses beside payroll are covered by the loan? Can the loans be used for rent, mortgage and/or utilities?**

**Yes, but mortgage interest, not principal, rent and/or utilities. At least 75% of the forgiven amount must have been used for payroll.**

**What types of utilities are covered?**



Electricity, gas, water, transportation, telephone, or internet. At least 75% of the forgiven amount must have been used for payroll.

**Is mileage an allowable expense?**

Yes, as it applies to transportation.

**Can interest on a Line of Credit be included in the Paycheck Protection Program?**

Possibly. Congress contemplated interest on preexisting debt in the statute. But that does not appear in the SBA/Treasury guidance. Ask your lender.

**If you contract office labor out to a local nonprofit for your financial operations, but do not issue a 1099, can you include this amount in the loan request?**

Yes, if you are paying their wages, i.e., provide the workers a W-2

**What specific payroll expenses are covered? Are health insurance and retirement also covered?**

Yes. The employer side of these benefits are included. .

**Is it 8-weeks prior or 8-weeks forward?**

Loan forgiveness is based on 8 weeks forward upon receipt of loan dollars.

### **Loan Eligibility and Application**

**Are the Small Business Administration (SBA) loans subject to UWW dues?**

Loans are not reported to UWW on Database 2, and thus initially they are not subject to UWW dues. If the SBA loans are forgiven, they will be considered a contribution and should be reported to UWW on Database 2. UWW is quickly evaluating where these contributions will be reported on Database 2, and this FAQ will be updated.

**When will applications be available?**

Guidance was released on March 31, 2020 along with a sample application. Applications start on April 3, 2020. You must apply through an SBA approved lender.

**Will UWW notify us as soon as application is available?**

Yes. An e-mail notification was sent to all attendees of the webinar as well as all U.S. CEOs on March 31.

**Will there be more money added to PPP in the fourth bill?**

Negotiations are just beginning for what will be included in the fourth bill. UWW will advocate for continuation of the loan and increased funding.

**Will you provide a list of approved SBA Lenders?**

A list of most active SBA lenders is [here](#) and [here](#) is a suggested list of local lenders from our partner Jewish Federations of North America.



**Should we use the list of loan banks or our local SBA approved bank?**

We recommend you use your local SBA approved bank.

**Will our bank have our PPP application on April 3?**

If they are an approved SBA lender, then they should have the application available on April 3. We are seeing varying degrees of awareness and readiness among banks. If your bank doesn't know what the Paycheck Protection Program is, provide them the SBA guidance above or consider going to another bank.

**Where should we locate the application?**

You can view a sample application on [sba.gov](https://sba.gov) here. You will apply through an approved SBA lender starting on April 3.

**Can I apply through multiple lenders?**

No. You should have no trouble getting loan approval through an approved SBA lender.

**I have a board meeting scheduled in two weeks. Should I push to apply before then?**

Yes. We encourage you to apply as soon as the applications open. The program is first come, first serve.

**Is board approval required to apply for this?**

UWW doesn't require you to get board approval. But it is a best practice to receive board approval. You know your board best.

**Who else can I contact for support?**

Your lender should be able to answer most questions about your application. You may also ask your state association, board members who work for banks, [answerdesk@sba.gov](mailto:answerdesk@sba.gov) or SBA help line 1-800-827-5722.

**What specific paperwork will we need to provide for paperwork to apply for the PPP?**

Prepare your documents while waiting for the application to open. For a sample application for the Paycheck Protection Program, [click here](#). Your local SBA loan provider can let you know in advance of any other documents they will require. FYI, they cannot charge you fees for this loan process.

According to [this guide from Independent Sector](#), the following documentation may be required:

1. 2019 IRS Quarterly 940, 941 or 944 payroll tax reports
2. Last 12 months of Payroll Reports beginning with your last payroll date and going backwards 12 months.





3. Payroll report must show the following:
  1. Gross wages for each employee
  2. Paid time off, including vacation pay
  3. Family paid leave pay
  4. State and local taxes paid on employee compensation
  4. 1099s for 2019 for independent contractors that would otherwise be an employee of your business • Do NOT include 1099s for services
  5. Documentation showing total of all health insurance premiums paid by the Company Owner under a group health plan.
    - Include all employees and the company owners
  6. Document the sum of all retirement plan funding that was paid by the Company Owner (do not include funding that came from the employee's out of their pay-check deferrals)
    - Include all employees, including company owners
    - 401K plans, Simple IRA, SEP IRAs. (edited)

**How much payroll/rent detail will we need to provide? Will summary reports suffice, or do we need to show something from our bank like copies of checks and EFT's?**

**SBA guidance does not specify. The SBA lender will have more details of what documentation is needed.**

**Our United Way only employs one part time person. The only source of income for administration is a small percent taken from donations. Our area is so poor and with businesses closed, we are afraid the workplace employee campaigns will not honor their pledges. Will this program help our UW?**

**Yes, if donations are lost, this will enable you to pay for your employee, rent and utilities for the 8 week period of the loan.**

**If a United Way has received donations from the Cannabis industry, are we still eligible to apply for this loan?**

**Yes. There is no criteria about where donations come from. The only criteria is the cost of your payroll.**

**Can we still apply for this loan if our United Way is not currently in financial stress due to COVID-19?**

**Yes, the purpose of these loans is to prevent your United Way from facing financial stress and to keep people employed. Many applicants for this program are not currently in distress.**

**We have nonprofit partners who receive Medicaid as a payment for health related services, we are also in an enhanced Medicaid state, do those nonprofits qualify for any of these programs?**



Yes. Medicaid payments received do not disqualify an organization from the Paycheck Protection Program. The proposed provision barring organizations that receive Medicaid funds from some other programs was removed from the final legislation that was passed.

### **Economic Injury Disaster Loan (EIDL)**

**Can you do both EIDL and PPP?**

Organizations are eligible for both EIDL and PPP. The funding from both programs must be used for different purposes (i.e. personnel and rent costs for 7(a) and other operating expenses for EIDL). The terms for PPP are much for favorable; EIDL must be paid back. UWW recommends United Ways apply for PPP. We do not recommend that United Ways apply for the EIDL.

**Does the EIDL have a \$10,000 advance that does not have to be paid back?**

If you apply for EIDL, you can apply for a \$10,000 advance. Even if you do not get approved for EIDL, the \$10,000 advance will be forgiven. There is conflicting guidance on whether the \$10,000 is forgiven or will be included in your principal if you receive the EIDL loan.

**Can we cancel our EIDL application if we already applied when intending to apply for PPL?**

You should be able to cancel your EIDL application. Contact your lender or the SBA help line 1-800-827-5722.

### **Misc./Others:**

**Can you share more details on the Employer Retention Tax Credit? Will there be an application or form to use?**

Yes. Go to [sba.gov](https://www.sba.gov) for guidance and application.