



The Paycheck Protection Program (PPP) and Accessing Support

An Update for Child Care Providers

Friday, April 24, 2020

11AM and 1PM



Welcome



Samantha Aigner-Treworgy
EEC Commissioner



Webinar Overview



Theresa Jordan
Director
Children's Investment Fund



The Paycheck Protection Program (PPP)

- Appropriated as part of the CARES Act on March 27, 2020
- Administered by the Small Business Administration (SBA)
- First applications were accepted April 3
- SBA stopped taking applications on April 16
- Second round of funding is expected shortly
- A program for all small business sectors in the country, so very competitive – first come first served
- Banks were overwhelmed with applications

The Paycheck Protection Program (PPP) Loan and Other Funding



Timothy Warren
Principal
CliftonLarsonAllen (CLA)



Summary of Impact of PPP vs EIDL

Paycheck Protection Program Loan (PPP)

- Need to maintain employment at certain levels to get forgiveness
- 6 month Deferral, 2 Year Repayment, 1%
- Funding is based on 2.5 x Avg Payroll up to \$10M
- Can get EIDL but must be for different purposes
- SBA stopped taking applications on April 16; however, second round of funding is expected shortly
- Apply through SBA-approved lender (usually a bank)

Economic Injury Disaster Loans (EIDL)

- Do not need to maintain employment per se
- No forgiveness
- 1 year deferral, 10 Year Repayment, 3.75%
- Max amount \$2M determined by SBA underwriting
- Emergency grant component of \$1,000 per employee up to \$10,000 (subject to change)
- SBA stopped taking applications on April 15; however, second round of funding expected shortly
- Apply to the SBA directly



Paycheck Protection Program (PPP)

Forgivable Small Business Loan for 2.5 months payroll up to \$10M

You are eligible if:

- Business, sole proprietor, independent contractor, self-employed individuals, 501(c)(3) nonprofit organizations, and other limited employers. Other exceptions could apply if you are over 500 employees if you meet certain requirements.
- Practically if you are under 500 employees or are self employed you are most likely eligible for the program.



Paycheck Protection Program (PPP)

How do I apply for the PPP loan?

- You should consult with your bank as to whether it is participating. You can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating.
- A list of participating lenders can be found here:
www.sba.gov/paycheckprotection/find

To apply, businesses must:

- Sign a certification that the loan is for eligible purposes.
- Complete an application
- Be prepared to provide documentation verifying the number of headcount on staff and average monthly payroll.


Action* Apply with bank as soon as possible as funding will be limited**



The PPP Application

Available at <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program-ppp>



 Paycheck Protection Program Borrower Application Form		OMB Control No.: 3245-0407 Expiration Date: 09/30/2020			
Check One: <input type="checkbox"/> Sole proprietor <input type="checkbox"/> Partnership <input type="checkbox"/> C-Corp <input type="checkbox"/> S-Corp <input type="checkbox"/> LLC <input type="checkbox"/> Independent contractor <input type="checkbox"/> Eligible self-employed individual <input type="checkbox"/> 501(c)(3) nonprofit <input type="checkbox"/> 501(c)(19) veterans organization <input type="checkbox"/> Tribal business (sec. 31(b)(2)(C) of Small Business Act) <input type="checkbox"/> Other		DBA or Tradename if Applicable			
Business Legal Name					
Business Address		Business TIN (EIN, SSN)	Business Phone		
		() -			
		Primary Contact	Email Address		
Average Monthly Payroll:	\$	x 2.5 + EIDL, Net of Advance (if Applicable) Equals Loan Request:	\$		
			Number of Employees:		
Purpose of the loan (select more than one): <input type="checkbox"/> Payroll <input type="checkbox"/> Lease / Mortgage Interest <input type="checkbox"/> Utilities <input type="checkbox"/> Other (explain): _____					
Applicant Ownership					
List all owners of 20% or more of the equity of the Applicant. Attach a separate sheet if necessary.					
Owner Name	Title	Ownership %	TIN (EIN, SSN)		
<i>If questions (1) or (2) below are answered "Yes," the loan will not be approved.</i>					
Question			<table border="1"> <tr> <th>Yes</th> <th>No</th> </tr> </table>	Yes	No
Yes	No				
1. Is the Applicant or any owner of the Applicant presently suspended, debarred, proposed for debarment, declared ineligible, voluntarily excluded from participation in this transaction by any Federal department or agency, or presently involved in any bankruptcy?			<table border="1"> <tr> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> </table>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>				

What's included in payroll costs?

- For PPP, your payroll costs **include**:
 - Salary, wage, commission, or similar compensation
 - Payment for vacation, parental, family, medical, or sick leave
 - Payment for group health care and retirement benefits
- Your payroll costs **do not include**:
 - Compensation of an individual employee in excess of an annual salary of \$100,000 (note: full benefits still count)
 - Employer portion of payroll taxes
 - Any compensation of an employee whose principal place of residence is outside of the United States
 - Qualified sick or family leave wages for which a credit is now allowed under the Families First Coronavirus Response Act



PPP Highlights for Self Employed

- Individuals who file a Form 1040, Schedule C will use self employed (“SE”) income, subject to \$100,000 limitation, reflected on line 31 of the 2019 Schedule C as the basis for SE income in the determination of average monthly wages used to size the PPP loan.
- If an SE individual has payroll costs, average monthly payroll will include SE income plus employee payroll costs (subject to \$100,000 limitation) reflected on line 26 of Schedule C, employee benefit programs (Line 14) and pension and profit-sharing plans (line 19), both excluding owner costs, and state and local taxes assessed on employee compensation.
- An SE without employees with zero income in 2019 cannot apply for PPP.
- If an SE has not filed their 2019 tax return they will need to submit a draft of Schedule C, forms 1099, invoices, bank statements, or book of record that establish the individual as self-employed.
- SE must provide a 2020 invoice, bank statement, or book of record to establish you were in operation on or around February 15, 2020.
- Participation by an SE in the PPP may affect eligibility for state-administered unemployment compensation or unemployment assistance programs under the CARES Act.



Other Tax Credits/Deferrals Available

Deferral of Employer FICA

- Employer share of FICA (6.20%) on wages from March 27, 2020 – December 31, 2020 can be deferred
- Payment schedule is 50% due on December 31, 2021 and the remaining 50% on December 31, 2022

Employee Retention Credit

- Refundable tax credit equal to 50% of certain compensation (up to \$10k) from March 13, 2020 – December 31, 2020
- Eligible employer is one whose
 - Operations were fully or partially suspended due to COVID-19 related shut-down order
 - Gross receipts declined by more than 50% when compared to the same quarter in the prior year.

Other Tax Credits

- Qualified Paid Sick Leave – Credit available for employees who are unable to work for COVID-19 related issues
- Qualified Paid Family Leave – Credit available for employees who are unable to work because of a need to care for a child or the child care provider is unavailable
- Self employed individuals could be available for the tax credits



PPP Forgiveness and Other Considerations



Anna Dodson

Partner

Goodwin Procter



GOODWIN

Goodwin's Neighborhood Business Initiative

- The mission of the **Neighborhood Business Initiative**, a pro bono project of **Goodwin Procter LLP**, is to provide pro bono business legal services to low-income entrepreneurs and small-business owners in underserved neighborhoods through direct representation, neighborhood-based legal workshops and clinics and by partnering with community-based organization.
 - Since 2001, over **800** Goodwin professionals have invested over **30,000** hours in pro bono legal services. We have provided over **310** workshops and clinics. We have represented more than **270** individual small business owners.
- Technical assistance alongside Children's Investment Fund
 - Remote Legal Clinic serving small businesses, including the early education and care sector
 - Town Hall on April 22nd which will be available on the EEC's Financial Support webpage and Goodwin's websites

PPP Loan – Authorized Use of Proceeds

- PPP Loan proceeds can only be used for authorized purposes
 - ‘Payroll costs’ (as defined in the CARES Act)
 - Employee salaries, commissions or similar compensation (in excess of ‘payroll costs’)
 - Interest (but not principal) on mortgage obligations
 - Rent
 - Utilities
 - Costs related to continuation of group healthcare benefits during periods of paid sick, medical or family leave and insurance premiums
 - Interest service for other debt incurred before Feb 15
- **75%** of proceeds ***must*** be used for ‘payroll costs’, either before or after the forgiveness window, whether you seek forgiveness or not

PPP Loan – Forgiveness

- Loan proceeds used for eligible purposes during the 8 weeks following funding of the loan will be forgiven:
 - **Payroll costs** (as defined in the rules)
 - **Mortgage interest**
 - **Rent**
 - **Utilities** (gas, water, transportation, telephone or internet access)

Reminders:

- *In place since February 15*
 - *Payroll costs, rent, mortgage and utilities of the business – all in the business' name*
- There will be a 2nd application process with your lender for loan forgiveness
- At least **75%** of the forgiven amount must have been used for payroll costs
- Forgivable amounts will be reduced:
 - Proportionately for headcount reductions (based on FTE headcount)
 - Decreases in wages by more than 25%

PPP Loan Forgiveness

Takeaways:

- The final rules on forgiveness are still to come
- But, understand what can be forgiven before you borrow
- Track loan expenditures carefully
 - Use a worksheet
 - Keep copies of proof of payment
- Plan around the 8-week timeframe
- Talk to your lender

PPP Considerations for Family Child Care



Margaret McDonald

CEO

Clarendon Early Education Services



Finding a Bank

What if I don't currently have a banking relationship with an SBA lender?

- Locate a bank that is an approved SBA lender:
<https://www.sba.gov/paycheckprotection/find>
- Many banks are only lending to existing customers. Ask to open an account to become a customer.
- If you do not have a business account with a bank but have a personal checking account, reach out to the bank to see if they will accept your PPP application

Finding a Bank

What should I do if the bank requires me to have a business account?

Ask to speak with a bank manager or loan officer and let them know that the federal CARES Act does not require you to have a business account before February 15th. It only requires you to have been in business before February 15th.

Show them that you were in business before February 15th by presenting your tax returns for 2019 or 2018, including your business tax forms. If you already have a personal account you can show them that you use this account for some or all of your business expenses and income.

Other Challenges

Do I need an EIN or a DBA to apply for the PPP?

You do not need a DBA. Some banks are asking family child care providers to provide an DBA (Doing Business As). This is not required by the CARES Act.

You will need to provide an Employer Identification Number (EIN) or your social security number (SSN)

Getting an EIN is easy and free and is generally a good idea to have instead of using your SSN for tax purposes, however it may take some time.

<https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online>

Other Challenges

What are the definitions of: Sole Proprietor, Independent contractor and Eligible self-employed individual?

- A Sole proprietor is a person who is the exclusive owner of a business, entitled to keep all profits after tax has been paid but liable for all losses.
- An independent contractor is a person or entity contracted to perform work for—or provide services to—another entity as a nonemployee
- Self-employed persons are people who run their own business, but that business can be set up in a variety of ways. The IRS says that a self-employed individual is someone who "owns an unincorporated business," like a sole proprietor or independent contractor or a sole owner of an LLC.

Documentation

What documentation do I need to apply for the loan?

- Self-Employment income you filed or will file for 2019 on Form 1040, Schedule C. If you have not yet filed 2019 you must at least complete Schedule C. Line 31 is particularly important to how you will calculate average wages.
- 2019 IRS Form 1099-MISC detailing nonemployee compensation received (box 7).
- An invoice or bank statement that establishes you are self-employed and were in operation on or around February 15, 2020.

Note: Some banks have additional forms or request additional information in addition to the standard SBA PPP forms

Questions & Answers



Technical Assistance

Fill out this survey form for one-on-one assistance!

<https://www.surveymonkey.com/r/PPPIquiry> (English)

<https://www.surveymonkey.com/r/PPPEspanol> (Spanish)

Or email support@childrensinvestmentfundma.org

These links and FAQs on PPP are on EEC's COVID Financial Support Guidance page:

https://eeclead.force.com/apex/EEC_ChildCareEmergencyFinancialSupport

Other Resources

Accion East:

(866) 245-0783

Info@accioneast.com

<https://us.accion.org>

Save Small Business Fund:

<https://savesmallbusiness.com/>

LISC/Sam's Club grants:

<https://www.lisc.org/covid-19/small-business-assistance/small-business-relief-grants/sams-club-grant/>

Philanthropy Massachusetts' list of philanthropic resources:

<https://philanthropyma.org/grantmakers-philanthropic-advisors/resources/disaster-and-emergency-relief-resources>

Thank you!

