



## **Frequently Asked Questions for Child Care Providers – updated 8/18/20**

### **Small Business Administration's (SBA) Paycheck Protection Program (PPP)**

#### **GENERAL INFO**

##### **1. Can I still apply for a Paycheck Protection Program (PPP) loan?**

No, the Small Business Administration (SBA) stopped approving PPP loans on August 8, 2020. These FAQs are meant to provide information to programs that have already received a PPP loan.

##### **2. Are PPP funds a loan or a grant?**

Under the PPP, a bank or other lender (referred to as a “lender” in this document) makes a loan to your business, but you can apply to have all or a portion of the loan forgiven so long as you use the loan to pay certain payroll costs, and certain mortgage interest, rent, and utilities expenses during a specified time period. This means that if you are successful in receiving a PPP loan, you must track your expenses and how you use the loan funding during the 24-week period following the receipt of the loan funds or until December 31, 2020, if earlier, (or if you received your loan prior to June 5, you can opt into an 8-week period). This period of time is considered your “covered period.” If you can document that the funds were used for forgiveness-eligible purposes during this covered period, you can apply for forgiveness. If your loan is forgiven, you will not have to repay the principal that is forgiven or any interest on the amount that is forgiven.

Note that certain other restrictions apply, most importantly that not more than 40% of the funds forgiven can be used for purposes that are not payroll costs eligible for forgiveness. In other words, you must spend at least 60% of the funds on payroll costs that are eligible for forgiveness. Also, all loan funds can only be used for authorized purposes. You must document that you use the PPP loan for so-called authorized uses (certain payroll costs, mortgage interest, rent, utilities, costs related to continuation of healthcare benefits and interest on non-mortgage debt) even if you do not apply to have any of your PPP loan forgiven. In addition, there are other provisions related to maintaining employee headcount and salary levels that could affect how much of the funds would be forgiven.

Before and after you receive PPP funds it is important to consult with an advisor to understand all aspects of loan forgiveness.

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### **3. What is the interest rate and term of the loan?**

For PPP loans received before 6/5/20, loans have an interest rate of 1% and a maturity of 2 years. However, borrowers can speak with their lender and renegotiate the length of the loan term to 5 years. PPP loans made after 6/5/20 have an interest rate of 1% and a maturity of 5 years. Generally speaking, if you apply for forgiveness and that application is granted, you will not have to pay interest. If you do not apply for forgiveness on or prior to 10 months after the end of your covered period (10 months after your 24-week covered period, for example), or your application for forgiveness is denied, you will be required to pay interest. Note that interest accrues on your PPP loan even if you are not obligated to make payments on it.

### **4. If I apply and receive the loan, can I let it sit in another account and if I don't decide to use it, just return it to the bank?**

Yes, there are no prepayment penalties on PPP loans although disbursed amounts (sitting in your bank account) are subject to accrued interest charges (at 1% rate per annum).

### **5. What resources are out there to help me?**

Information on federal small business loan programs is posted on [EEC's Financial Support Guidance](#) page.

If you have specific questions, please fill out [this intake survey](#) and someone will connect with you shortly after. You can also email us at [support@childrensinvestmentfundma.org](mailto:support@childrensinvestmentfundma.org).

## **OTHER FUNDING SOURCES**

### **6. How does a PPP loan affect the use of unemployment by employees of my business?**

Employees are not meant to be receiving unemployment and simultaneously receiving a salary from their employer using PPP funds. Business owners (including sole family child care providers) need to be very cautious of this. Please reach out to us or to an advisor to talk through your particular situation.

### **7. If my business is receiving funding from other sources (such as EEC subsidy or emergency payments, SBA Economic Injury Disaster Loan, private grant funding, etc.), am I still eligible for a PPP loan?**

Having access to other sources of funding does not necessarily prevent you from being able to apply for a PPP loan. However, you should read your contracts, loan documents or requirements from the other funding sources carefully, as each loan contract is different and may contain restrictions imposed by your lender. You should also consult with advisors to see if there are conflicts between laws applying to the various programs you participate in. In particular, you should be sure sources of funding from the SBA do not overlap (e.g. if you have

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both a PPP loan and EIDL loan), as you cannot be paid from two SBA programs for the same expense.

EEC guidance on the interaction between EEC subsidies, CARES Act funding, and PPP funding is posted on [EEC's Financial Support Guidance](#) page.

If you received an EIDL "advance" and a PPP loan, the advance will be deducted from the loan forgiveness amount. To illustrate, let's say Sandra's Child Care gets a \$5,000 PPP loan, but also received a \$1,000 EIDL grant advance. The amount of the advance would be deducted from the forgivable amount of the PPP loan. So even if Sandra follows all of the loan forgiveness rules, the most that can be forgiven may be \$4,000.

**8. Can I be paying myself through the PPP and also receiving income through parent tuition, or is there some conflict there?**

There is no conflict with a business earning revenues while receiving help through the Paycheck Protection Program, however economic hardship/injury has to be present at time of application (certification(s) made via form 2483) for a borrower to be eligible for PPP.

**9. If my business applies for PPP how could this affect my ability to qualify for other funding?**

As of August 8, 2020, businesses can only obtain one PPP loan. We recommend you speak with your tax advisor to discuss how the PPP loan might affect your eligibility for other tax credits.

**10. What if I run my business out of my home? Can I still pay rent and other utility expenses with PPP?**

Yes. However, those expenses must be in the business's name on February 15, 2020. If these expenses are in your name, there is uncertainty about your ability to include these expenses, particularly as forgiveness-eligible expenses, and you should speak with your tax advisor or reach out to us for technical assistance.

**LOAN FORGIVENESS**

**11. What is the timeline for applying for loan forgiveness?**

Some banks have already started to process loan forgiveness applications, but you are not required to apply for loan forgiveness right away. We strongly recommend waiting until later this fall/winter to begin looking into the loan forgiveness application process, given that many regulations may continue to change in the coming months.

**12. What are the qualifying business expenses that can be paid with my PPP loan proceeds?**

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The SBA is very clear on what business expenses can be paid for using PPP loan funds, and what sub-set of those permitted purposes will be considered eligible for forgiveness. Updated Frequently Asked Questions are posted by the SBA [on this website](#). The only qualifying business expenses that will be eligible for forgiveness include employee “payroll costs” (which is defined in the CARES Act, includes certain employee benefits, and are capped at \$100,000 on an annualized basis for each employee), business utility costs (including internet), rent payments, or mortgage interest (not principal) costs.

**13. I work alone as a home-based provider. Is paying myself an eligible payroll cost, and are there any specific rules about how I pay myself?**

Yes, a self-employed individual can use PPP loan proceeds for owner compensation replacement, calculated based on 2019 net profit, with forgiveness of such amounts limited to eight weeks’ worth (8/52) of 2019 net profit (up to \$15,385) for an eight-week covered period or 2.5 months’ worth (2.5/12) of 2019 net profit (up to \$20,833) for a 24-week covered period, but excluding any qualified sick leave equivalent amount for which a credit is claimed under section 7002 of the Families First Coronavirus Response Act (FFCRA) (Pub. L. 116–127) or qualified family leave equivalent amount for which a credit is claimed under section 7004 of FFCRA; See page 4 of the [EZ Loan Forgiveness Application](#) with regards to documents required to submit with forgiveness application.

**14. For the loan forgiveness spending period, is it an 8-week period or a 24-week period?**

The Paycheck Protection Program Flexibility Act, signed into law on June 5<sup>th</sup>, changed the loan forgiveness spending window from 8 weeks to 24 weeks for all loans, even those approved prior to June 5<sup>th</sup>. This means that by default, all loans will have a 24-week loan forgiveness spending period, but the period cannot extend past December 31, 2020. If you are a program that received a PPP loan prior to June 5<sup>th</sup> and would like to keep the original 8-week timeframe, you would need to notify your bank that you would like to retain that option.

**15. What is the process for requesting loan forgiveness?**

You will be required to apply to your PPP loan lender, which means submitting a Loan Forgiveness Application after your 24 weeks has been completed. (The SBA has published that form and you can find it [here](#), if you would like to review it.) The lender and the SBA have 60 days after receiving the application to issue a decision, and if the application for forgiveness is approved, the SBA then has 90 days to pay the lender. (Practically speaking, “forgiveness” of your loan means that the SBA repays the loan to your lender instead of you.) Your bank will be responsible for notifying you regarding the application status and what amount of your loan is forgiven.

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**16. If I receive a PPP loan in June, can I wait to spend the funds in August or September when I actually begin opening?**

Yes, you can start spending later. To be eligible for forgiveness, you must spend the PPP loan on forgivable purposes (described above) within 24 weeks of the date your loan was funded (or before December 31, 2020, if that is earlier than your full 24-week period).

**17. I'm confused about what period of time I used to determine my loan forgiveness. Can I include business expenses that were incurred prior to my loan approval? Can I use the loan funds for qualifying expenses after the covered period? Since I cannot or will not open my business until after 6/30/20 or later, can I determine when my covered period begins?**

Prior to the Paycheck Protection Program Flexibility Act, you had 8 weeks to spend your PPP loan on forgivable purposes. The Flexibility Act extends the covered period (the window in which you can spend your loan on forgivable purposes) to 24 weeks after the date of loan disbursement (or until December 31, 2020, if earlier). This means, borrowers will have greater flexibility over the time period in which they can use their loan funds and still be considered for forgiveness. See above also on the ability to opt back into an 8-week covered period.

Qualifying expenses that are incurred and paid during the covered period are eligible for forgiveness. Expenses both incurred and paid prior to the disbursement of your PPP loan are not eligible for forgiveness. Qualifying expenses that are incurred before the covered period and paid in the covered period as part of an ordinary payment cycle (like a 2-week payroll cycle) generally will also be eligible for forgiveness.

**18. I received a PPP loan in May. What should I consider when determining whether I should use the 8-week or 24-week covered period used for loan forgiveness?**

A business may have a reason for opting into the shorter, 8-week covered period. When considering opting into that 8-week period, the business may want to consider (i) whether it has been able to spend its PPP loan on forgiveness eligible purposes and (ii) whether it will have a higher average headcount during an 8-week or 24-week covered period.

In addition, note that that even if you opt into the 8-week forgiveness spending window and are ready to apply for forgiveness, you may still have to wait for your lender to begin accepting forgiveness applications. The rules and processes that lenders must follow for forgiveness applications are evolving in real time, and lenders are moving forward on opening up for applications at different paces.

**19. What are the forgiveness penalties if I have a reduction in staff or wages?**

Since the primary purpose of the PPP loan is to assist businesses retain employees, if you have a reduction in the number of full-time equivalent employees (FTEs), or wages, the amount of your loan eligible for forgiveness may be affected. Please keep in mind you do not need to

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retain the same employees and FTE is not necessarily the same number as your number of employees.

*Here are some exemptions to this penalty:*

- If during the covered period an employee was fired for cause, voluntarily resigned or voluntarily requested and received a reduction of their time, the time of these employees can still be included in your FTE calculation for forgiveness.
- If you had a reduction in force that went into effect between February 15 and April 26, you can still count a departing employee from that reduction in your FTE calculation if:
  - You re-hired that employee, or hired a replacement employee on or prior to December 31, 2020; or
  - You made a good-faith written offer to rehire that employee that was rejected, and you have been unable to find a similarly qualified replacement on or prior to December 31, 2020.
- Additionally, if you are unable to return to the same level of business activity as seen around 2/15/20, due to compliance with requirements established or guidance related to COVID-19 issued by HHS, the CDC or OSHA during the period from 3/1/2020 ending 12/31/20, you may be eligible for an exemption from the forgiveness penalty in a reduction in the number of full-time equivalent employees. We expect more guidance from the SBA on this possible exemption.
- Keep in mind, if you refilled any position, you cannot add the new hire's time without subtracting the former employee's time in your FTE calculation; only one of these employee's time can be counted.

## **20. What should I expect if I am unsuccessful in having my loan forgiven?**

Businesses will be expected to repay the PPP loan amount that is not forgiven. Generally speaking, the first loan payment will be due 10 months after the loan's covered period, which will be 24 weeks from when your funds were disbursed (unless you opt for 8 weeks by asking your lender). If your application for forgiveness is denied, payments may be required to start earlier. See above for questions and answers on the interest rate and term on PPP loans.

### **Some Forgiveness Tips:**

- Set up a separate bank account for the PPP loan funds
- Create an excel spreadsheet or other tracking method to ensure funds are spent on qualifying business expenses
- Maintain receipts, credit card or bank statements or other proof of payment for all uses of your PPP loan.

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- Be in touch with your PPP lender. Some lenders are giving guidance on what they expect for documentation to process your forgiveness request.
- Remember, the SBA has indicated they do expect to provide further guidance around loan forgiveness but maintaining proper records will be helpful to your success.

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