

Small Business Guide to the CARES Act



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The Coronavirus Aid, Relief, and Economic Security (CARES) Act allocated \$350 billion to help small businesses keep workers employed amid the pandemic and economic downturn. Known as the Paycheck Protection Program (PPP), the initiative provides 100% federally guaranteed loans to small businesses.

Importantly, these loans may be forgiven if borrowers maintain their payrolls during the crisis or restore their payrolls afterward. Guidelines for borrowers are available to www.treasury.gov. This guide is to help small businesses and self-employed individuals learn more about these loans and the steps they can take.

Deadlines to Remember:

April 3: Small businesses and sole proprietors can start the application process

April 10: Independent contractors and self-employed individuals can apply

1. Am I ELIGIBLE?

You are eligible if you are:

- A small business with fewer than 500 employees
- A small business that otherwise meets the SBA's size standard
- A 501(c)(3) with fewer than 500 employees
- An individual who operates as a sole proprietor
- An individual who operates as an independent contractor
- An individual who is self-employed who regularly carries on any trade or business
- A Tribal business concern that meets the SBA size standard
- A 501(c)(19) Veterans Organization that meets the SBA size standard

In addition, some special rules may make you eligible:

- If you are in the accommodation and food services sector (NAICS 72), the 500-employee rule is applied on a per physical location basis
- If you are operating as a franchise or receive financial assistance from an approved Small Business Investment Company the normal affiliation rules do not apply

IMPORTANT: The 500-employee threshold includes all employees: full-time, part-time, and any other status.

2. APPLY

You can apply through any existing SBA 7(a) lender or through any federally insured depository institution, credit union, or Farm Credit System that chooses to participate. Consult with your local lender to see if they are participating.

While the program is open until June 20, 2020, there is a cap on how much money will be available. [Apply as soon possible.](#)

Contact Your EAP. Call 800.750.3866 or go to ibhworklife.com
Username: Matters Password: WLM70101



3. WHAT WILL THE LENDER NEED?

Borrowers will need to complete the Paycheck Protection Loan Application (available [HERE](#)) and any needed payroll documentation.

Lenders will also ask you for a good faith certification that:

1. The current economic conditions makes the loan request necessary to support ongoing operations
2. The borrower will use the loan to retain workers and maintain payroll or make mortgage, lease, and utility payments
3. Borrower does not have an application pending for a loan duplicative of the purpose and amounts
4. From Feb. 15, 2020 to Dec. 31, 2020, the borrower has not received a loan duplicative of the purpose and amounts applied for here (Note: There is an opportunity to fold emergency loans made between Jan. 31, 2020 and the date this loan program becomes available into a new loan)

Specifically, for the independent contractor, sole proprietor, or self-employed individual: lenders will also be looking for certain documents such as payroll tax filings, Forms 1099-MISC, and income and expenses from the sole proprietorship.

You will not be asked whether you have sought credit elsewhere, to provide personal guarantees, or collateral for the loan.

4. HOW MUCH ARE WE TALKING ABOUT?

You can borrow 2.5 times your monthly payroll costs (up to 10 million). First, figure out what payroll costs are included and excluded and do some math.

INCLUDED

1. **FOR EMPLOYERS:** The sum of payments of any compensation with respect to employees that is a:
 - Salary, wage, commission, or similar compensation;
 - Payment of cash tip or equivalent;
 - Payment for vacation, parental, family, medical, or sick leave
 - Allowance for dismissal or separation
 - Payment required for the provisions of group health care benefits, including insurance premiums
 - Payment of any retirement benefit
 - Payment of state or local tax assessed on the compensation of the employee
2. **FOR SOLE PROPRIETORS, INDEPENDENT CONTRACTORS, AND SELF-EMPLOYED INDIVIDUALS:** The sum of payments of any compensation to or income of a sole proprietor or independent contractor that is a wage, commission, income, net earnings from self-employment, or similar compensation and that is in an amount that is not more than \$100,000 in one year, as pro-rated for the covered period.

EXCLUDED

- Compensation of an individual employee in excess of an annual salary of \$100,000, as prorated for the period February 15, to June 30, 2020
- Payroll taxes, railroad retirement taxes, and income taxes
- Any compensation of an employee whose principal place of residence is outside of the United States
- Qualified sick leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act (Public Law 116– 5 127); or qualified family leave wages for which a credit is allowed under section 7003 of the Families



sum of
INCLUDED
payroll costs

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sum of
EXCLUDED
payroll costs

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**PAYROLL
COSTS**

5. WHAT IS THIS I AM HEARING ABOUT LOAN FORGIVENESS?

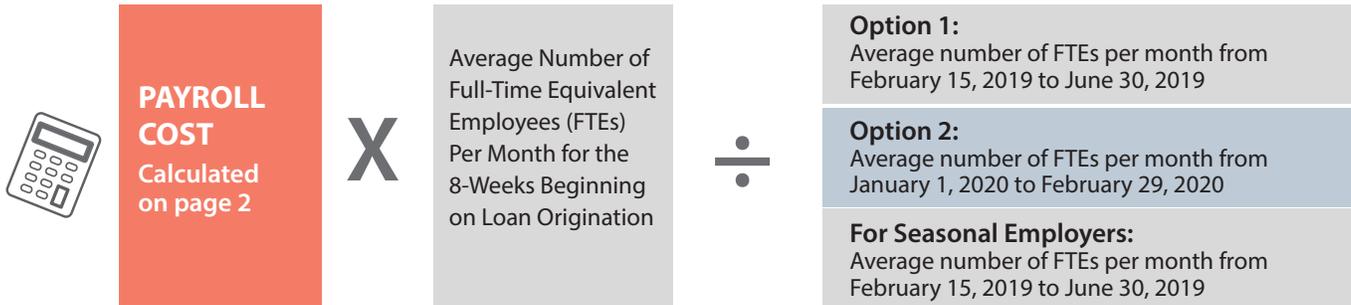
A borrower is eligible for loan forgiveness equal to the amount the borrower spent on the following items during the 8-week period beginning on the date of the origination of the loan:

- Payroll costs (using the same definition of payroll costs used to determine loan eligibility)
- Interest on the mortgage obligation incurred in the ordinary course of business
- Rent on a leasing agreement
- Payments on utilities (electricity, gas, water, transportation, telephone, or internet)
- For borrowers with tipped employees, additional wages paid to those employees

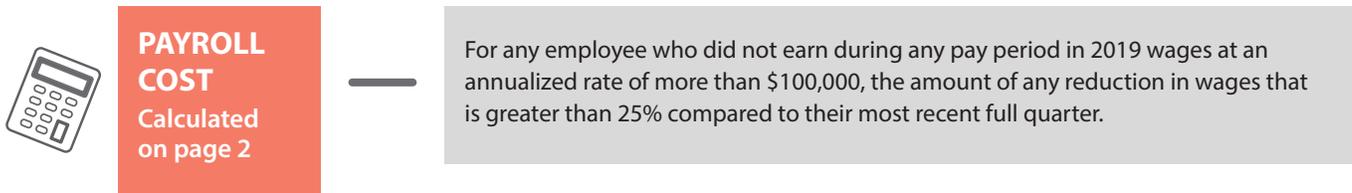
NOTE: The government is now advising that not more than 25% of the forgiven amount may be for non-payroll costs. The loan forgiveness cannot exceed the principal.

The amount of loan forgiveness calculated above is reduced if there is a reduction in the number of employees or a reduction of greater than 25% in wages paid to employees. Specifically: Reduction based on reduction of number of employees

Reduction based on reduction of number of employees



Reduction based on reduction in salaries



BRINGING BACK EMPLOYEES

Reductions in employment or wages that occur between February 15, 2020 and April 26, 2020 (as compared to February 15, 2020) shall not reduce the amount of loan forgiveness IF by June 30, 2020 the borrower eliminates the reduction in employees or reduction in wages.

Private lenders will ultimately issue PPP loans based on guidance from the SBA and Treasury Department. More information, including from lenders, should be available once the guidance is issued.