

PAYCHECK PROTECTION PROGRAM: A LIFELINE FOR RURAL BUSINESS

The Paycheck Protection Program (PPP) is part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act signed into law on March 27, 2020, to support small businesses economically impacted by COVID-19.

WHO



From a one-person shop to a 500-employee operation, small businesses across the U.S. qualify. Even some businesses with more than 500 employees can apply if they meet the Small Business Administration (SBA) industry standards.¹ Farms, including sole proprietorships, are eligible for PPP.

WHAT



Up to \$10 million in a forgivable loan to cover eight weeks of business costs, which include payroll and other forms of compensation, utilities, rent, and mortgage interest payments. The loan can be used for expenses generated from Feb. 15 to June 30, 2020.²

WHEN



Apply now. Though the program states it will accept applications until June 30, 2020, funds can run out.

WHERE



Visit sba.gov/paycheckprotection/find to find a list of banks processing PPP loans. Contact the bank and ask about their process. The list of banks is constantly changing as more banks are approved to process the loans.

WHY



The COVID-19 pandemic presents challenges that are out of the control of business owners. Decreased demand, shifting markets, and a slowed economy will hit us all in different ways. Small businesses are the bread and butter of rural communities and the PPP is one tool business owners can use to help manage the economic downturn.

Sources

1 "Paycheck Protection Program." U.S. Small Business Administration, 2020, sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program-ppp. Accessed April 2020.

2 "Paycheck Protection Program (PPP) Information Sheet: Borrowers." U.S. Department of the Treasury, 2020, home.treasury.gov/system/files/136/PPP%20Borrower%20Information%20Fact%20Sheet.pdf. Accessed April 2020.





Start by reading the SBA fact sheet for borrowers. It includes answers to commonly asked questions related to the program and details for application: home.treasury.gov/system/files/136/PPP%20Borrower%20Information%20Fact%20Sheet.pdf.



A variety of expenses can be included in the loan, but due to high demand, at least 75 percent of the loan amount should be compensation (payroll, commissions, bonuses, tips, etc.) and no more than 25 percent should be “other” (utilities, rent, mortgage, etc.) for it to be forgiven.³



For sole proprietors, payroll expenses should be taken from the 1040 on Schedule C. Net profit is a sole proprietor’s “payroll.” Costs will be forgiven to the extent they are deductible according to this form.⁴



Some banks suggest opening an account specifically for PPP funds and paying related expenses exclusively from this account to facilitate and ensure forgiveness down the road. This can be done after applying. Do not delay applying to set up an account. If you do not open a separate account, keep excellent records of your expenses to ensure maximum forgiveness.



Each bank is managing the program differently. Give more than one bank a call if you want to shop around service.



If your net profit is negative and you don’t have any employees, the SBA Economic Injury Disaster Loan (EIDL) may be a better option to help get through. Up to \$10,000 of this loan is forgivable.⁵



More information about options available to small businesses through the recent stimulus package can be found at cfra.org/SmallBizEmergencyLoanResources.



In some cases, layoffs may be a better option. If you do not want to risk taking on the low-interest loan because you don’t think you will be operational on June 30, 2020, or staff prefer to stay home, unemployment may be a better fit.

Sources

3 “The Small Business Owner’s Guide to the CARES Act.” U.S. Senate Committee on Small Business & Entrepreneurship, 2020, static1.squarespace.com/static/5e6a768131c8f538ad00b294/t/5e7e7655aff3dd2806a0036f/1585346134348/Small+Business+Owner%E2%80%99s+Guide+to+the+CARES+Act+%5Bfinal%5D.pdf. Accessed April 2020.

4 “Business Loan Program Temporary Changes; Paycheck Protection Program – Additional Eligibility Criteria and Requirements for Certain Pledges of Loans, Docket Number SBA-2020-13 CFR Part 120.” U.S. Small Business Administration, U.S. Department of the Treasury, 2020, home.treasury.gov/system/files/136/Interim-Final-Rule-Additional-Eligibility-Criteria-and-Requirements-for-Certain-Pledges-of-Loans.pdf. Accessed April 2020.

5 “Coronavirus (COVID-19), SBA Disaster Assistance in Response to the Coronavirus.” U.S. Small Business Administration, 2020, covid19relief.sba.gov/. Accessed April 2020.

