

# THE 2020 CARES ACT

## The Paycheck Protection Program

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# HOSTED BY CORPORATE PAYROLL SERVICES

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# About Corporate Payroll Services

- HR applications and payroll processing at exceptional prices
- One of the largest independent payroll services in the U.S. – 6000 clients
- Dedicated to superior customer service
- Our suite of services includes
  - Payroll/Payroll Taxes for all 50 states, Puerto Rico and U.S. Virgin Islands
  - “Come Aboard”, employee onboarding platform
  - NetClockIn, robust time and attendance system
  - Retirement Plans
  - Group Health Insurance
  - Workers Compensation
  - and more....

# About Smith, Gambrell & Russell, LLP

## Smith Gambrell

**SGR** stands as one of the country's premier full-service business law firms, serving clients large and small, in the US and abroad. We have nearly 300 legal professionals, and serve our clients from 10 offices.



# Smith Gambrell US Offices



# CARES Act

- Coronavirus Aid, Relief, and Economic Security Act signed into law March 27, 2020
- Expansive Relief
  - Individuals
    - Direct Funds for Individuals
    - Employee Health & Welfare Protections
    - Job Security
    - Rights to Pension Funds
    - Quicker Access to and More Robust Unemployment Insurance
    - Limit on Evictions
  - Small Businesses
    - Payroll Protection Program
    - Tax Relief
  - Travel, Hospitality, Transport
  - Supports Efforts to Eradicate, Test for and Protect from COVID-19

# Payroll Protection Program

- Loan Program to “Small” Businesses - PPP
- Overseen by the SBA but Administered through Commercial Banks
- Objectives:
  - Maintain Status Quo - Encourage Employers to Keep Employees on the Payroll at Similar Wages
  - Ensure Individuals Continue to Receive Income to Pay Bills
  - Consumers with Money to Spend to Prime the Economy when “Work from Home” Efforts End
- Method: Cover 8 Weeks of “Payroll” Expenses of “Small” Businesses

# Basics of the Program

- Loan Program – Immediate Term “Loan” for Payroll Expenses
- Term of Up to 2 Years
- Deferral of Principal & Interest Payments for 6 months
- 100% Loan Forgiveness Eligibility (at end of Deferral Period)
- It’s a “No Fee”, Non-Recourse, Non-Collateralized, Non-Guaranteed Loan
- Interest Rate of 1.00% - Forgiven if Principal Forgiven
- Retain Employees & Maintain Level of Compensation



# Basics of the Program – “Small”

- “Small” Is Not So Small. **Greater of:**
  - The size standard per SBA’s Guidelines for Applicant’s Industry
    - Size Standards Used To Define Small Business Concerns – 13 CFR §121.201
    - North American Industry Classification Systems (NAICS) – Produced by the US Commerce Department (**See Chart on Slide**)
  - Up to (and Including) 500 Employees Across Locations and Affiliated Companies, with Exceptions
  - Receipts/Revenue Standard

# Basics of the Program – “Small”

- Size Exceptions
  - NAICS Sector 72—Accommodation and Food Services
    - As long as no more than 500 employees at any one location
  - Greater of 500 and NAICS Sector Size
  - Inapplicability of Affiliation Rules to Certain Business Types
- Calculation of Employees Includes Full-Time, Part-Time and “Other Basis” (Do Not Include Independent Contractors in Head Count or Payroll Analysis)

# Basics of the Program – “Small”

From: [Size Standards Used To Define Small Business Concerns](#)  
(13 CFR §121.201)

Subsector 336—Transportation Equipment Manufacturing <sup>6</sup>			
336111	Automobile Manufacturing		1,500
336112	Light Truck and Utility Vehicle Manufacturing		1,500
336120	Heavy Duty Truck Manufacturing		1,500
336211	Motor Vehicle Body Manufacturing		1,000
336212	Truck Trailer Manufacturing		1,000
336213	Motor Home Manufacturing		1,250
336214	Travel Trailer and Camper Manufacturing		1,000
336310	Motor Vehicle Gasoline Engine and Engine Parts Manufacturing		1,000
336320	Motor Vehicle Electrical and Electronic Equipment Manufacturing		1,000
336330	Motor Vehicle Steering and Suspension Components (except Spring) Manufacturing		1,000
336340	Motor Vehicle Brake System Manufacturing		1,250
336350	Motor Vehicle Transmission and Power Train Parts Manufacturing		1,500
336360	Motor Vehicle Seating and Interior Trim Manufacturing		1,500
336370	Motor Vehicle Metal Stamping		1,000
336390	Other Motor Vehicle Parts Manufacturing		1,000
336411	Aircraft Manufacturing		1,500
336412	Aircraft Engine and Engine Parts Manufacturing		1,500
336413	Other Aircraft Parts and Auxiliary Equipment Manufacturing <sup>7</sup>		1,250 <sup>7</sup>
336414	Guided Missile and Space Vehicle Manufacturing		1,250

# Basics of the Program – “Small”

- Affiliation Rules (common control/ownership) Exception (Companies Worker Calculation Not Aggregated):
  - NAICS Sector 72—Accommodation and Food Services
  - A Franchise Assigned an SBA Franchise Identifier Code
    - <https://www.sba.gov/sba-franchise-directory>
  - Entities Receiving Financial Assistance from a Small Business Investment Company Licensed by the SBA (under 15 U.S.C. 681)
- Affiliation Rules
  - Includes Employees of Affiliated Companies
  - Affiliated Companies May Separately Apply (Subject to Size Limits)

# Qualifying “Businesses”

## What type of Businesses Qualify (Subject to Act’s Size Standards):

- **Small Business Concerns**
  - Independently Owned and Operated
  - Not Dominant In Its Field Of Operation
- **Any Business Concern**
- **Nonprofit Organization – Only 501(c)(3)**
- **GIG Worker Eligible:** Sole Proprietorship, Independent Contractor and “Eligible Self-Employed Individuals”

# Qualifying “Businesses”

## What type of Businesses Qualify (Subject to Act’s Size Standards):

- **Veterans Organization**
- **Tribal Business Concern is a Small Business Concern**
  - Wholly Owned by Native American Tribal Governments; or
  - Owned in Part by Native American Tribal Governments with All Other Owners being US Citizens or Small Business Concerns
- In Operation by February 15, 2020, Paying Salary & Payroll Taxes or FORM 1099-MISC for Independent Contractors

# Available Amount

## AVAILABLE AMOUNT TO BORROW

- Lesser of:

- (1) \$10,000,000 **and**
- (2) 2.5 x The Average Total Monthly Payroll Costs For The 1-year Period Before Loan Is Made **or** for 2019 Calendar Year; **or**

**IF NOT IN BUSINESS IN 2019:** 2.5 x The Average Total Monthly Payroll Costs For January 1, 2020 – February 29, 2020; **or**

**FOR SEASONAL EMPLOYER:** 2.5 X The Average Total Monthly Payments For Payroll For The 12-week Period Beginning February 15, 2019

# Forgiveness Amount

## FORGIVENESS AMOUNT

- Forgiveness of 100% of Borrowed Amount Decreased by
  - Average Head Count Decrease
  - Any Salary Decrease
- Apply for Forgiveness – Lender has 60 Days from Application to Inform of Forgiveness

# Forgiveness Amount

- Any **Head Count** Decreases between February 15, 2020 and June 30, 2020 (**Covered Period**)
  - Average Number of FTEs per Month (Determined Using Same Time Periods for Prior Payroll Amounts)

# Forgiveness Amount

- Any **Salary Decrease** of FTE during Covered Period
  - Exceptions:
    - Can Decrease Salary of FTE up to 25%
    - Unlimited Decrease in Salary of Any FTE Earning Equivalent of \$100,000/yr during any 2019 Pay Period
- Employers of Tipped Workers Eligible for Forgiveness for Additional Wages Paid to Tipped Workers
- Principal Forgiveness of These Loans Not to be Counted as Income

# Right to Cure to Restore Forgiveness

- Right to Cure Due to Head Count Decrease
  - FTE Head Count Decrease February 15, 2020 - April 26, 2020
  - Restore FTE Head Count by June 30, 2020

# Right to Cure to Restore Forgiveness

- Right to Cure Due to Salary Decreased
  - Salary Decrease February 15, 2020 - April 26, 2020
  - Restore Salaries by June 30, 2020

# Eligible & Ineligible Payroll Costs

- Used for Calculating Eligible Loan Amount and Qualifying Use of Funds (Violation Makes the Loan Recourse)
- **Eligible “Payroll costs” include:**
  - salary, wages, commissions, or similar compensation
  - cash tips or equivalent
  - payments for vacation, parental, family, medical, or sick leave
  - severance pay
  - payments 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 employees.

# Eligible & Ineligible Payroll Costs

- **Ineligible “Payroll costs” include:**
  - Amounts for an individual employee in excess of an annual salary of \$100,000
  - Amounts paid to independent contractors
  - Compensation paid to employees whose principal place of residence is outside the US
  - Certain payments for which tax credits are allowed under the Families First Coronavirus Response Act

# Qualifying Use

## Qualifying Use for Forgiveness

- Payroll Costs, Employee Salaries, Commissions, or Similar Compensations
- Costs of group health care benefits during periods of paid sick, medical, or family leave
- Health insurance premiums
- Payments of **interest** on any mortgage obligation;
- Rent (under a lease agreement)
- Utilities

No More than 25% of loan proceeds may pay for Qualifying Uses other than Payroll Costs.

# How Corporate Payroll Services Can Help

## Payroll Costs Reporting Requirements:

- Payroll Costs for Determining Eligible Loan Amount
- Payroll Costs for Determining Forgiveness
  - Compliance with 75% of Loan Proceeds Towards Payroll Costs for 8 Weeks Following Loan
- Payroll Costs for Determining Qualifying for Cure during PPP Implementation Phase (Feb 15 2020 – April 26, 2020)
  - Restore Salary Reductions by June 30, 2020

# How Corporate Payroll Services Can Help

## Headcount Reporting Requirements:

- Average Employee Headcount for Determining Qualification for PPP Loan
- Employee Headcount for Determining Forgiveness
- Employee Headcount for Determining Qualifying for Cure during PPP Implementation Phase
  - Restore Headcount by June 30, 2020

# CARES Act Emergency Loan Calculation Report

## CARES Act Emergency Loan Calculation report

This program does the following:

Accumulate Eligible Earnings along with SUI amounts and user entered amounts for Healthcare, Retirement, and additional State/Local amounts for calculating the Total Cost and an Estimated Loan Amount.

	From	Thru
Check Date:	<input type="text" value="04/01/2019"/>	<input type="text" value="03/31/2020"/>
"Option 1" Date:	<input type="text" value="//"/>	<input type="text" value="//"/>
"Option 2" Date:	<input type="text" value="//"/>	<input type="text" value="//"/>
SUI State:	<input type="text"/>	<input type="text"/> (Leave blank to include liability from all states.)

Pay Types for Calculating Earnings

Pay Types selected: None!!!

Annual group health care benefits  
paid on behalf of employees:

Annual retirement benefits paid on behalf of employees:  
(Note: Employer match amounts set up  
through payroll will already be included)

Additional State or Local annual amounts paid on  
behalf of employees:   
(Note: SUI amounts will already be included )

CSV File

Text File

Preview

Print

Cancel

# CARES Act Emergency Loan Calculation Report

04/08/2020 12:10 T13/EPHRAT2  
CPSCPS

Adaptable Systems Corporation  
CARES Act Emergency Loan Calculation report  
Check Date: '04/01/2019' - '03/31/2020'

Page 1

Emp ID	Employee Name	Total Earnings	Eligible Earnings	Healthcare Benefits	Retirement Benefits	SUI St	SUI Amount	Additional State/Local	Active Emp	Opt 1 Actv EE	Opt 2 Actv EE	Total Cost	Est Rate	Estimated* Loan Amount
10	Adams Stacey	150000.00	100000.00	0.00	0.00	PA	270.00	0.00	1	0	0	100270.00		
11	Burke Donald	35000.00	35000.00	0.00	0.00	PA	270.00	0.00	1	0	0	35270.00		
12	Conners Tracey	79000.00	79000.00	0.00	0.00	PA	270.00	0.00	1	0	0	79270.00		
13	dove ellis	88200.00	88200.00	0.00	0.00	PA	270.00	0.00	1	0	0	88470.00		
14	Roberts Carrie	111000.00	100000.00	0.00	0.00	PA	270.00	0.00	1	0	0	100270.00		
{Cust}	{User entered amounts}	0.00	0.00	0.00	0.00	}}	0.00	0.00	0	0	0	0.00		
<b>Totals</b>		<b>463200.00</b>	<b>402200.00</b>	<b>0.00</b>	<b>0.00</b>		<b>1350.00</b>	<b>0.00</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>403550.00</b>		

CPSCPS EIN: 11-1556611

Average Monthly Cost: 33629.17 \* 2.5 84072.93

Total Earnings will include wages from the following INCLUDED Pay Types:

94 - Regular	442500.00
95 - Overtime	0.00
98 - Sick	0.00
97 - Vacation	0.00
96 - Holiday	0.00
01 - Commissions	1500.00
02 - Bonus	19200.00
04 - Retro Pay	0.00

The following is the list of EXCLUDED Pay Types:

03 - Expense Reim	4500.00
05 - Mileage Reim	0.00

\* = subject to your additional exclusions

# Other Available Relief

The screenshot shows a web browser displaying the CASE Knowledge Center website. The URL [centers.fuqua.duke.edu/case/knowledge-center/](https://centers.fuqua.duke.edu/case/knowledge-center/) is highlighted in a red box. The website header includes the DUKE FUQUA CASE logo and a navigation menu with links for ABOUT, STUDENTS, ALUMNI, PRACTITIONERS, RESEARCHERS, KNOWLEDGE CENTER, NEWS & EVENTS, and DONATE. The main content area features a "Knowledge Center" heading and a paragraph describing the center's mission. A section titled "#COVID19CapitalRelief Database" is highlighted in a red box, containing text about the database and links for "Find capital" and "Suggest more resources". A "Knowledge Center Topics" sidebar on the right lists various topics such as Business Models, CASE i3, Impact Investing, Measurement, Scaling Social Impact, Social Entrepreneurship Insights, Social Entrepreneurship Education, and Theories of Social Entrepreneurship.

[centers.fuqua.duke.edu/case/knowledge-center/](https://centers.fuqua.duke.edu/case/knowledge-center/)

**DUKE FUQUA CASE**

ABOUT STUDENTS ALUMNI PRACTITIONERS RESEARCHERS KNOWLEDGE CENTER NEWS & EVENTS DONATE

## Knowledge Center

The CASE Knowledge Center is a collection of our research, writings, articles, and interviews we have published and conducted on social entrepreneurship over the years. You can use the category listings on the side of the page to filter the publications to your particular topic of interest. If you have any questions, please contact us at [case@fuqua.duke.edu](mailto:case@fuqua.duke.edu).

### #COVID19CapitalRelief Database

On March 26, 2020, CASE launched #COVID19CapitalRelief, a searchable database for global, national and regional capital sources for for-profit and nonprofit entrepreneurs at risk due to COVID-19. Access the nearly 100 resources representing approximately \$14.5 billion in newly available capital sources for entrepreneurs during this challenging time and submit any additional resources:

[Find capital](#)  
[Suggest more resources](#)

### Knowledge Center Topics

- [Business Models](#)
- [CASE i3](#)
- [Impact Investing](#)
- [Measurement](#)
- [Scaling Social Impact](#)
- [Social Entrepreneurship Insights](#)
- [Social Entrepreneurship Education](#)
- [Theories of Social Entrepreneurship](#)

# Additional Information

## SBA Size Standards & Franchise Identifier

- [https://www.sba.gov/sites/default/files/files/Size\\_Standards\\_Table.pdf](https://www.sba.gov/sites/default/files/files/Size_Standards_Table.pdf)
- [https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=7780ee089107f59ef3f78b938e2282b7&r=PART&n=13y1.0.1.1.17#se13.1.121\\_1201](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=7780ee089107f59ef3f78b938e2282b7&r=PART&n=13y1.0.1.1.17#se13.1.121_1201)
- <https://www.sba.gov/sba-franchise-directory>

# Additional Information

## Paycheck Protection Program

US Treasury Webpage for PPP Information:

- Loan Application
- Frequently Asked Questions
- Lists of Eligible Lenders
- Applicable SBA Affiliation Rules

<https://home.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses>

# Additional Information

Visit Corporate Payroll Services and SGR  
Coronavirus Online Resource Centers:

<https://www.corpay.com/coronavirus/>

<https://www.sgrlaw.com/covid-19-resource-center/>

**ANY QUESTIONS?**

# Thank You For Joining Us!