



301-962-1700
mendozaco.com

CARES ACT - SECTION 1102 PAYCHECK PROTECTION PROGRAM (PPP)

ALEJANDRO MENDOZA, EA
301-962-1700
BETHESDA, MD
MENDOZACO.COM

What is the Paycheck Protection Program?

- 10M SBA Bank Guarantee Loan – CARES Act
- A Loan that Covers Payroll Checks as a LOC
- 2 ½ Months of Payroll Coverage
- Section 1102(a)(F) 100% of Payroll Qualifies
 - “In an agreement to participate in a loan on a deferred basis under paragraph (36), the participation by the Administration shall be 100 percent.”
- Exemption: \$100,000 Employee Annual Payroll Limit to a prorated for the “Covered Period”

Paragraph 36 of the CARES Act

1

- Federal banking agency and insured depository institution

2

- Covered Period – “Payroll Cost” from February 15, 2020 to June 30, 2020 (\$37,260 of \$100K)

3

- Eligible Recipient means an Individual, Entity & LLCs

Payroll Cost

1

- salary, wage, commission, or similar compensation;

2

- payment of cash tip or equivalent

3

- payment for vacation, parental family leave, medical, or sick leave

Payroll Cost

5

- allowance for dismissal or separation;

6

- group health care benefits, including insurance premiums;

7

- payment of any retirement benefit & State or local tax assessment

(F) ALLOWABLE USES OF COVERED LOANS.—

- “(I) payroll costs; State & Local taxes
- “(II) costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums;
- “(III) employee salaries, commissions, or similar compensations;
- “(IV) payments of interest on any mortgage obligation (which shall not include any prepayment of or payment of principal on a mortgage obligation);
- “(V) rent (including rent under a lease agreement);
- “(VI) utilities; and
- “(VII) interest on any other debt obligations that were incurred before the covered period.

“(E) MAXIMUM LOAN AMOUNT.—

Loan amount up to “(ii) \$10,000,000”.

“(AA) the average total monthly payments by the applicant for payroll costs incurred during the 1-year period before the date on which the loan is made,

1. Seasonal employer, the average total monthly payments for payroll shall be for the 12-week period beginning February 15, 2019, or
2. at the election of the eligible recipient, March 1, 2019, and ending June 30, 2019; by
3. “(BB) 2.5; and

“(II) if requested by an otherwise eligible recipient that was not in business during the period beginning on February 15, 2019 and ending on June 30, 2019,

1. 1. The average total monthly payments by the applicant for payroll costs incurred during the period beginning on January 1, 2020 to February 29, 2020; by
2. 2. (BB) 2.5; and

(II) CONSIDERATIONS.—In evaluating the eligibility of a borrower for a covered loan with the terms described in this paragraph, a lender shall consider whether the borrower—

- “(aa) was in operation on February 15, 2020; and
- “(bb)(AA) had employees for whom the borrower paid salaries and payroll taxes; or
- “(BB) paid independent contractors, as reported on a Form 1099–MISC

(J) WAIVER OF PERSONAL GUARANTEE REQUIREMENT.—During the covered period, with respect to a covered loan—

- “(i) no personal guarantee shall be required for the covered loan; and
- “(ii) no collateral shall be required for the covered loan.

INCLUSION OF SOLE PROPRIETORS, INDEPENDENT CONTRACTORS, AND ELIGIBLE SELF-EMPLOYED INDIVIDUALS

“(I) IN GENERAL.—During the covered period, individuals who operate under a sole proprietorship or as an independent contractor and eligible self-employed individuals shall be **eligible to receive a covered loan**.

“(II) DOCUMENTATION.—An eligible self-employed individual, independent contractor, or sole proprietorship seeking a covered loan shall submit such documentation as is necessary to establish such individual as eligible, including payroll tax filings reported to the Internal Revenue Service, **Forms 1099–MISC**, and income and expenses from the sole proprietorship, as determined by the Administrator and the Secretary.