



Coronavirus Aid, Relief, and Economic Security (CARES) Act Selected Programs

Presented by

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CARES Act Major Economic Relief Programs

- Paycheck Protection Program Loans ([Section 1102](#))
 - Loan Forgiveness ([Section 1106](#))
- Economic Injury Disaster Loan Program
 - Emergency Economic Injury Disaster Loan Grants ([Section 1110](#))
- U.S. SBA Loan Payment Subsidy ([Section 1112](#))
- Employee Retention Credit ([Section 2301](#))
- Delay of Payment of Employer Payroll Taxes ([Section 2302](#))

Paycheck Protection Program (PPP) Loans

- **Overview**: Loan-guarantee program to enable employers to maintain employment during the COVID-19 emergency. It is an expansion of the U.S. Small Business Administration (SBA) 7(a) loan program and provides a 100% federal guarantee to SBA participating lenders.
- **Eligibility**: A “small business concern” under SBA regulations including sole proprietors, independent contractors, or self-employed individuals, 501(c)(3) nonprofit organization, 501(c)(19) veterans’ organizations, **faith-based organizations**, and others that must have been in operation on February 15, 2020, that employs not more than the greater of:
 - (1) 500 employees (including full-time, part-time, temporary, and those employed on other bases);
 - (2) if applicable, the [SBA’s size standard](#) in number of employees for the North American Industry Classification System (NAICS) industry according to the SBA; or
 - (3) if the business has more than 1 physical location and is assigned a NAICS code beginning with 72 (Accommodations and Food Services) at the time of loan disbursement, 500 employees per physical location.

Paycheck Protection Program (PPP) Loans *continued*

- **Loan Size**: The maximum loan amount—capped at \$10 million (inclusive of any outstanding SBA Economic Injury Disaster Loans held between January 31, 2020 and **April 3, 2020 less the amount of EIDL advance**)—is the lesser of:
 - 250% of the average total monthly **payroll costs** incurred in the one-year period before the loan is made; or
 - \$10 million.
- **Payroll costs**:
 - Include: compensation to employees (salary, wage, commissions, cash, etc.); paid **vacation, parental, family, medical, or sick** leave; severance payments; group health benefits including insurance premiums; retirement benefits; state and local payroll taxes **assessed on compensation of employees**; and for sole proprietors or independent contractors, prorated compensation up to \$100,000 per year for the covered period.
 - **Subtract**: compensation above \$100,000 prorated for the covered period; **federal employment taxes imposed or withheld between February 15, 2020 and June 30, 2020, including the employee's and employer's share of FICA taxes, and income taxes required to be withheld from employees**; compensation for employees whose residence is outside the U.S.; and FFCRA paid sick and FMLA leave.

Paycheck Protection Program (PPP) Loans *continued*

- **Borrower Certifications**: Entities must make good faith certifications that:
 - The applicant was in operation on February 15, 2020 and had employees for whom it paid salaries and payroll taxes or paid independent contractors;
 - Current economic uncertainty makes the loan request necessary to support ongoing operations;
 - Documentation verifying FTEs on payroll and dollar amounts of payroll costs and other allowable costs will be provided to the lender;
 - Funds will be used to retain workers and maintain payroll, or other allowable uses;
 - The applicant does not have any other application pending under the PPP program for the same purpose; and
 - The applicant has not received an SBA loan between February 15, 2020 and December 31, 2020 for the same purposes.
- **Allowable Uses** include payroll costs; interest payments on mortgages; rent; utility payments; interest on debt obligations incurred before February 15, 2020.
- **Payment Deferral**: All participating PPP lenders are required to defer payments of principal, interest, and fees on covered loans **six (6) months per Interim Final Rules from the SBA Administrator released on April 2, 2020. Interim Final Rules have been released** by the SBA Administrator on this deferment process for Lenders.

Paycheck Protection Program (PPP) Loans *continued*

- **Loan Forgiveness**: Generally, PPP loans are eligible for loan forgiveness equal to the costs incurred and payments made during the 8-week period following loan origination for the allowable uses as previously defined.
- Any reductions in staffing may reduce the eligible amounts for loan forgiveness based on a reduction formula by multiplying the loan forgiveness amount:
 - The average number of full-time employee equivalents (FTEs) per month employed during the covered period divided by;
 - The average number of FTEs per month employed from February 15, 2019 through June 30, 2019 or January 1, 2020 through February 29, 2020 as decided by the employer.
 - If employers reduce the number of FTEs between February 15, 2020 and April 27, 2020 as compared to the original number of FTEs and rehires the same number of FTEs not later than June 30, 2020, such reduction in loan forgiveness may be avoided.
- Any reduction in an employee's salary and wages in excess of 25% of the total salary and wages paid to the employee during the most recent full quarter in which the employee was employed before the covered period for employees earning not more than \$100,000.
 - If such reduced salary and wages of employees between February 15, 2020 and April 27, 2020 as compared to salaries and wages on February 15, 2020 is restored before June 30, 2020, such reduction in loan forgiveness may be avoided.

Paycheck Protection Program (PPP) Loans *continued*

- **Applying for Loan Forgiveness**: this is done directly with the participating PPP lenders with such application for loan forgiveness including:
 - Documentation verifying FTE on payroll and pay rates;
 - Documentation verifying payments of interest on mortgage, rent, and utility payments;
 - A certification that such documentation is true and correct and that forgiveness amounts requested were used to retain employees and other eligible costs;
 - Any other documentation that the SBA Administrator may require.
- The SBA Administrator has **released Interim Final Rules on April 2, 2020** on these loan forgiveness provisions.
- **Loan Terms**: Interest rate of **1.0%** with a maturity of 2 years.
- **Where to Apply**: Guam participating lenders include the following:
 - ANZ Guam, Inc.: Peter Valdez, Head of Commercial: 479-9065
 - Bank of Guam: Janine Eustaquio, Credit Officer: 472-5349
 - Bank of Hawaii: Mark Tokito, SVP, Guam Commercial Banking Center: 479-3643
 - Coast 360 Federal Credit Union: Cathy Champaco, Chief Lending Officer: 479-8206
 - Community First Guam FCU: Rick Scroggs, VP/Business Development Officer: 472-8210
 - First Hawaiian Bank: Kieron “Pip” Ward, VP/Team Leader: 475-7857

Economic Injury Disaster Loan (EIDL) Program

- **Overview**: An already existing direct loan program from the U.S. SBA that provides up to \$2 million to pay payroll, accounts payable, and other bills that can't be paid because of the COVID-19 impact during the covered period of January 31, 2020 and December 31, 2020.
- **Eligibility**: Small businesses, private nonprofit organizations, cooperatives, including sole proprietorships, independent contractors financially impacted by the COVID-19 with 500 or fewer employees as of January 31, 2020.
- **Loan Terms**: The SBA will determine the loan amount and term. Interest rate for small businesses is 3.75% and for nonprofit organizations is 2.75%. Term may be up to a maximum of 30 years with an automatic 1-year deferment.
- **Parameters**: Generally, to be approved by the SBA, applicants must have an acceptable credit history, ability to repay the loan, substantial economic injury as a result of COVID-19, and collateral for loans more than \$25,000 (not strict). The CARES Act waives the requirement of personal guarantees on loans of \$200,000 or less, waives the 1 year in business prior to the disaster requirement, waives the requirement of inability to find credit elsewhere, and waives need to submit income tax returns (relies solely on credit scores).

Economic Injury Disaster Loan (EIDL) Program

- **Where to Apply**: At the SBA's [COVID-19 EIDL Online Application](#).
- **Emergency EIDL Grants**: For immediate cash flow, and in consideration that the approval process for an EIDL may take more than 3 weeks, the CARES Act provides that a business that submits an application between January 31, 2020 and December 31, 2020 can receive an advance of up to \$10,000 within 3 days after the SBA receives the application. Even though the application may be denied, the applicant does not have to pay the grant back. Eligible uses of such grant includes:
 - Providing paid sick leave to employees unable to work due to COVID-19;
 - Maintaining payroll during business disruptions;
 - Meeting increased costs due to supply chain interruption;
 - Making rent or mortgage loan payments; and
 - Repaying debts that cannot be paid due to lost revenues.
- If an application is later approved for a PPP loan (if such EIDL application was denied), then the amount of the Emergency EIDL Grant shall reduce the amount of loan forgiveness calculated under the PPP loan program.

U.S. SBA Loan Payment Subsidy Program

- **Overview**: This is subsidy program administered by the SBA where the SBA will pay the principal, interest, and any associated fees owed for certain existing and new SBA loan borrowers for a period of 6 months.
- **Loan Eligibility**: SBA 7(a) loans not previously made under the PPP loan program and 504 loans and microloans from the SBA not including loans under the EIDL program.
- **Loan Payment Subsidy**: Payment of 6 months of principal, interest, and any associated fees are authorized for non-PPP loan program loans, 504 loans, and microloans that were:
 - Made before March 27, 2020 and not on deferment, for a 6-month period beginning with the next payment due;
 - Made before March 27, 2020 and on deferment, for the 6-month period beginning with the next payment due after the deferment period; and
 - Made on March 27, 2020 and ending on the date that is 6 months after March 27, 2020, for the 6-month period beginning with the first payment due.

Employee Retention Credit Program

- **Overview**: Eligible employers are allowed refundable credits against an employer social security tax liability equal to 50% of the first \$10,000 in wages per employee (including the value of health plan benefits).
- **Employer Eligibility**: Eligible employers—including tax-exempt organizations such as 501(c)(3) nonprofit organizations—which was carrying on a trade or business during calendar year 2020 and:
 - Such operation is fully or partially suspended during any calendar quarter due to government directed closure limiting commerce, travel, or group meetings due to the COVID-19; or
 - Such operation experiences a significant decline in gross receipts during a specified period.
- For employers with more than 100 full-time employees, only employees who are currently not providing services for the employer due to COVID-19 causes are eligible for the credit.
- Employers that received a PPP loan are not eligible for the Employee Retention Credit.
- **Effective Date**: The Employee Retention Credit is effective for wages paid after March 12, 2020, and before January 1, 2021.

Delay of Payment of Employer Payroll Taxes

- **Overview**: The CARES Act postpones the due date for depositing 100% of employer and 50% of self-employment Social Security payroll taxes attributable to wages paid during 2020. Deferred amounts are payable over the next two calendar years; 50% by December 31, 2021 and 50% by December 31, 2022.
- **Exception**: The option to delay payment of employer payroll taxes does not apply to any taxpayer if such taxpayer has had indebtedness forgiven under the PPP Loan Program.
- **Guidance**: The Secretary of the Treasury is required to issue guidance as necessary to carry out the purposes of this program.

Official Guidance and Links (updated as of April 6, 2020)

- [U.S. SBA Coronavirus Relief Options](#)
- Paycheck Protection Program Loans (Section 1102) and Loan Forgiveness (Section 1106)
 - [U.S. SBA Paycheck Protection Program](#)
 - [U.S. SBA PPP Interim Final Rule](#)
 - [U.S. SBA Size Standards for Eligibility](#)
 - [U.S. Department of the Treasury Assistance for Small Businesses](#)
- Economic Injury Disaster Loan Program and Emergency EIDL Grants (Section 1110)
 - [U.S. SBA Economic Injury Disaster Loan Program](#)
 - [U.S. SBA EIDL Overview and Presentation](#)
 - [FAQ Regarding Faith-Based Organization Participation in PPP and EIDL](#)
- U.S. SBA Loan Payment Subsidy (Section 1112)
 - [U.S. SBA Debt Relief](#)
- Employee Retention Credit (Section 2301)
 - [IRS Employee Retention Credit IR-2020-62](#)
 - [IRS Employee Retention Credit FAQs](#)
 - [Advance Payment of Payroll Tax Credits – Form 7200](#)
- Delay of Payment of Employer Payroll Taxes (Section 2302)

Third Party CARES Act Resources and Summaries

- [U.S. Senate Committee on Small Business & Entrepreneurship](#)
- [U.S. Chamber of Commerce](#)
- [Center on Budget and Policy Priorities](#)
- [Government Finance Officers Association](#)
- [Society of Human Resource Management](#)
- [U.S. Travel Association](#)
- [Deloitte: A Taxpayer Guide](#)
- [Tax Foundation](#)



For further details, please contact Artemio “Ricky” Hernandez, Ph.D., Deputy Administrator, Guam Economic Development Authority at (671) 647-4332 or a.hernandez@investguam.com, or visit www.investguam.com/coronavirus

Presentation is Subject to Updates and Changes as Additional Guidance is Provided

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