



SBA Funding Options PPP vs. EIDL

This information is accurate as of April 15, 2020



SBA Funding for COVID-19 Financial Downturn

Due to the restrictions on businesses and individuals during the COVID-19 pandemic, the federal government has authorized billions of dollars to be made available for emergency funding.

- Paycheck Protection Program (PPP)
- Economic Injury Disaster Loan (EIDL) & Advance Payments
- Extended Unemployment Benefits



Paycheck Protection Program (PPP)

The PPP offers funding for small businesses, non-profit organizations, religious affiliations, independent contractors and self-employed individuals that may not be able cover expenses during this time. The PPP is applied through a local or national bank that is SBA-approved.

- Loans are calculated at 2.5 x the average monthly payroll for 2019
- Funding can be used for payroll expenses (including insurance and leave), interest on mortgages, rent or lease payments, and utilities
- The amount borrowed must be allocated and used within 8 weeks of the disbursement



PPP Forgiveness

- 75% of the funds received are only used for payroll during the 8-week window
- The same number of employees (full-time, part-time, seasonal) are working on June 30, 2020 as were used to calculate the average payroll on the application
 - Example: 10 employees used to calculate the average payroll for 2019. 10 employees must be working by June 30, 2020.
- The borrower must attest in writing with the bank that these procedures have been followed.
 - Documentation of payroll receipts and expenses may be required to certify proper usage



PPP Loan Calculation Example

Standard Business

A business spends \$120,000 on payroll expenses in 2019

The average payroll expense would equate to:

$$\$120,000 / 12 \text{ months} = \$10,000$$

$$\$10,000 \times 2.5 = \$25,000 \text{ PPP Loan Eligibility}$$

$$75\% \text{ of } \$25,000 = \$18,750 \text{ for Payroll Expenses}$$

$$25\% \text{ of } 25,000 = \$6,250 \text{ for Other Approved Expenses}$$



PPP Loan Calculation Example

Self-Employed with Payroll

A business spends \$120,000 on payroll expenses in 2019

The Owner withdraws \$60,000 in 2019

- The average payroll expense would equate to:
 - $\$120,000 / 12 \text{ months} = \$10,000$
- The average owner withdraw would equate to:
 - $\$60,000 / 12 \text{ months} = \$5,000$
- $\$10,000 + \$5,000 = \$15,000 \times 2.5 = \$37,500$ PPP Loan Eligibility
- Owner forgivable maximum = 8 weeks of 2019 revenue = $\$60,000 / 52 \times 8 = \$9,230.77$
- To meet 75% threshold of all payroll & owner withdraw = 75% of $\$37,500 = \$28,125$ - $\$9,230.77 = \$18,894.23$ minimum must be used only for payroll
 - 25% used for other expenses = $\$37,500 - \$28,125 = \$9,375$



PPP Loan Calculation Example

Self-Employed without Payroll

The Schedule C for an owner shows \$60,000 Net Revenue

- The average owner withdraw would equate to:
 - $\$60,000 / 12 \text{ months} = \$5,000$
 - $\$5,000 \times 2.5 = \$12,500 \text{ Loan Amount}$
- The owner is only forgiven 8 weeks of 2019 revenue
 - $\$60,000 / 52 \times 8 = \$9,230.77 \text{ forgivable max}$
- Owner must use at least 75% of **forgivable amount** for owner withdraw
 - $\$9,230.77 \times 75\% = \$6,923.08 \text{ owner withdraw minimum}$
- $\$12,500 \text{ loan} - \$9,230.77 \text{ forgivable amount} = \$3,269.23 \text{ must be repaid in 2 years at 1\%}$



Economic Injury Disaster Loan (EIDL)

The EIDL offers funding for small businesses, non-profit organizations, religious affiliations, independent contractors and self-employed individuals that may not be able cover expenses during this time. The EIDL is applied through the SBA website.

- 30 year loans are offered to reduce payment size, with the option to pay earlier. 1 year deferment before the first payment is due.
- Amount to borrow is determined by the SBA by reviewing 2019 gross revenue and expenses
- An advance of the loan of up to \$10,000 is available, calculated at \$1,000 per employee up to the \$10,000 max. It does not need to be returned if the application is denied.



Economic Injury Disaster Loan (EIDL)

- Interest rates are 3.5% for businesses; 2.75% for non-profits
- No personal guarantee for up to \$200,000
- 3-6 weeks for the application to process
- Can be used for payroll, fixed debts, accounts payable, and bills that can't be afforded
- Cannot be used to consolidate existing debts, but can be used to make existing debt payments
- NO FORGIVENESS ON THE LOAN, EXCEPT FOR THE ADVANCE



PPP vs. EIDL

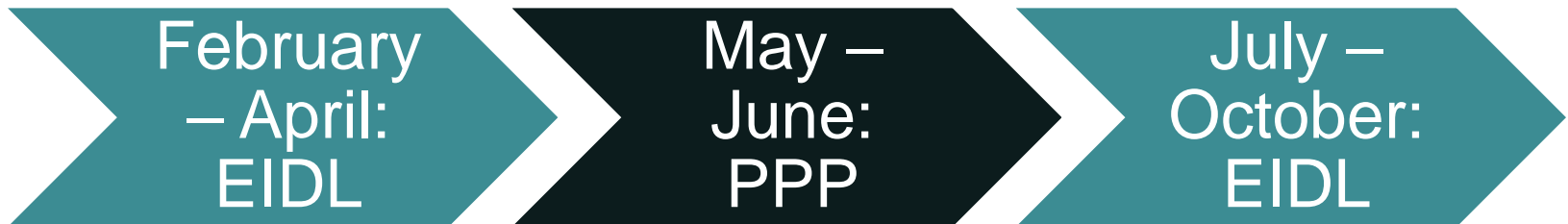
Paycheck Protection Program (PPP):	Economic Injury Disaster Loan (EIDL)
Businesses can apply through their banks beginning April 3 rd , with Independent Contractors and Self-Employed people applying April 10 th .	Businesses, self-employed, and independent contractors can apply now through https://covid19relief.sba.gov/#/
Eligibility: Small businesses & non-profits with under 500 employees. No farms or businesses that filed a Schedule F for their taxes.	Eligibility: Small businesses & non-profits with under 500 employees. No farms or businesses that filed a Schedule F for their taxes.
Lender: SBA-certified bank or Credit Union	Lender: SBA
Application: Paycheck-Protection-Program-Application (attached) that is taken to a bank.	Application: Online at https://covid19relief.sba.gov/#/
Terms for Repayment: 2 years	Terms: Up to 30 years, can be repaid sooner
Maximum amount to borrow: 2.5 times the average payroll expenses for 2019; any employee making over \$100,000 is capped at \$100,000 of eligible payroll expenses	Maximum amount to borrow: Determined by the SBA after application is submitted
Interest: 1%	Interest: 3.75% for businesses, 2.75% for non-profits
Personal Guarantee: None	Personal Guarantee: None for loans up to \$200,000
Payment Deferral: 6 months, interest included	Payment Deferral: 1 year; Interest will accrue
Forgiveness: 100% of the loan is forgiven if the borrower spends the entire loan in 8 weeks; the loan must be spent on payroll costs (75% minimum of the loan), interest on mortgages from 2/15/20 forward, rent or lease payments in place by 2/15/20; and utilities in place before 2/15/20	Forgiveness: None
Timeframe for approvals: 2 weeks	Timeframe for approvals: 3-6 weeks; 3 days for the \$10,000 advance
Eligibility Period: 2/15/20-6/30/20	Payment Advance: A borrower has an option for receiving UP TO \$10,000 as an advance on the EIDL, calculated at \$1k per employee up to the \$10k max. If the borrower is denied the EIDL, the advance does not have to be repaid
Age of business: Must have been operational as of 2/15/20	Eligibility period: 1/31/20-12/31/20
Employee Retention: The number of employees calculated in the 2019 payroll expense for this loan must be the same number of current employees on June 30, 2020. For example, if you calculated 10 employees for 2019, you must have 10 employees on the books by June 30.	Usage: Fixed debts, payroll, accounts payable, and bills that can't be afforded due to COVID-19; cannot be used to pay off existing debts, but can be used for operating loan payments
Work with EIDL: Cannot be used for the same expenses as EIDL. Can apply for and receive both loans. For example, if the PPP is used for 8 weeks from May-June, the EIDL must be used for expenses before or after, or for employees not calculated in the PPP.	Age of business: Can be a new business under 1 year
	Work with PPP: Cannot be used for the same expenses or time period as the PPP. Can apply for and receive both loans. For example, if the PPP is used for 8 weeks from May-June, the EIDL must be used for expenses before or after, or for employees not calculated in the PPP.



Applying for PPP & EIDL

Scenario 1

- Business borrows \$50,000 with the PPP for payroll and expenses to cover May 1 – June 30, 2020
- Business can then borrow \$50,000 with the EIDL for payroll and expenses to cover February 1 – April 30 and July 1 – October 1, 2020



Applying for PPP & EIDL

Scenario 2

- Business borrows \$50,000 with the PPP for payroll and expenses to cover May 1 – June 30, 2020, but have bills that don't qualify (A/P, debts)
- Business can then borrow \$50,000 with the EIDL for payroll and expenses to cover February 1 – April 30 and July 1 – October 1, 2020, and expenses not covered by PPP for May & June



Important Links

EIDL Application: <https://covid19relief.sba.gov/#/>

EIDL Application Status:
disastercustomerservice@sba.gov

Kansas Small Business Development Center:
<https://www.kansassbdc.net/covid19>

Kansas Department of Commerce:
<https://www.kansascommerce.gov/covid-19-response/>



Questions?





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