PRO BONO PARTNERSHIP / ATLANTA

This article presents general guidelines for Georgia nonprofit organizations as of the date written and should not be construed as legal advice. Always consult an attorney to address your particular situation.

Comparing Options for Covering COVID-19 Losses

	Paycheck Protection Program (PPP)	Economic Injury Disaster Loan (EIDL)	Employee Retention Credit (ERC)✓
What can it be used for?	*At least 75%* of the loan must be used for **payroll costs** and the remainder may be used for costs and amounts incurred or otherwise in force prior to February 15, 2020, such as: interest on mortgage obligations, rent/lease payments, utilities, and interest on any other debt obligations.	Free to use any amounts of the loan for payroll costs, increased material costs, rent or mortgage payments, utilities, or for repaying ongoing business obligations that cannot be met due to revenue losses. Loan may **not** be used to refinance long-term debts, expand business or make infrastructure improvements.	The credit is allowed against the employer portion of social security taxes under §3111(a) of the Internal Revenue Code. The credits are "fully refundable" because the employer may get a refund if the amount of the credit is more than certain federal employment taxes owed.
Amount Covered	Generally (but other amounts may apply): 2.5 times average total monthly payroll costs incurred in the one-year period before the loan is made -PLUS- (if applicable) the outstanding amount of any EIDL made between 1/1/2020, and the date on which such loan may be refinanced as part of the PPP. **Maximum Amount: $10,000,000**	Amount of loan is limited to the amount that revenue has been reduced since the disaster. I.e., if pre-disaster revenue is A and after the disaster revenue is B, then the loan amount is A - B = C. The loan of C will bring the organization back to its pre-disaster revenue of A. **Maximum Amount: $2,000,0000**	The ERC is a fully refundable tax credit for employers equal to **50% of qualified wages** paid to employees between 3/12/2020 and 1/1/2021. The max amount taken into account per employee for all quarters is $10,000, so the maximum credit is **$5,000 per employee**. If certain payroll costs are already covered by payroll or other tax credits, those amounts will not be considered "qualified wages" for calculation.
Interest Rate	**1.00% fixed**	**2.75% fixed**	
Loan Terms	**2-year max term**	**30-year max term**	

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www.pbpatl.org

Deferral/Loan Forgiveness	All loan payments may be <u>deferred</u> for up to **6-months**, but interest will accrue on the principal during this deferral period. **Up to the full amount of the loan may be forgiven** in an amount equal to: 75% payroll costs and 25% of interest on mortgage, rent/lease payments, and utility payments incurred during the 8-week period starting from the origination loan date. If certain payroll costs are already covered by payroll or other tax credits, those amounts will not be forgiven under the PPP Loan. Also, payments to independent contractors do not qualify for forgiveness like payroll costs to an employee. NOTE: the forgiveness amount will be **<u>reduced</u> for any employee cuts or reductions in wages**, but if a business re-hires or restores salaries before 6/30/2020, to pre-COVID levels, the amount of forgiveness will be determined without regard to the previous reduction.	All loan payments may be <u>deferred</u> for up to **one-year**, but interest will accrue on the principal during this deferral period. **No loan forgiveness**. But, an applicant for an EIDL can request an **EIDL Advance** of up to $10,000. The **EIDL Advance** is not required to be repaid, even if the EIDL is ultimately denied. The SBA is supposed to fund the Advance within 3 days of receiving the application.	
Collateral/Personal Guarantee Requirements	No collateral or personal guarantee required. The SBA is <u>not</u> permitted to recover loan funds for nonpayment from any individual, officer, or director of an eligible loan unless the individual uses the loan proceeds for unauthorized purposes	May require collateral or personal guarantee, but this requirement may be waived for nonprofits seeking loans up to $200,000. The SBA may approve nonprofits for small-dollar loans solely on the basis of its credit score or "alternative appropriate methods to determine an applicant's ability to repay."	

Where to apply?	Authorized SBA 7(a) lenders, any FDIC insured bank, any federally insured credit union, and any farm credit system institution that is participating in the program. Sample Application	Directly through the U.S. Small Business Administration. Application	Employers will report their total qualified wages and the related credits for each calendar quarter on their federal employment tax forms. In anticipation of receiving such credits, employers may fund qualified wages by using federal employment taxes, including withheld taxes, that are required to be deposited with the IRS or by requesting an advance of the credit from the IRS. Additional Information

Other Notes:

- Both EIDL loans and PPP loans can be used for some of the same types of costs including payroll, rent, mortgage interest, and utility payments. However, a nonprofit may not apply for or use both an EIDL loan and a PPP loan for the exact same costs.
    - 75% of the PPP loan must be used for payroll costs and only 25% can be used for other costs including rent, mortgage interest and utilities.
    - For organizations that have significant rent, mortgage interest and utility costs, an EIDL loan may help with these costs, but unlike with a PPP loan there is no loan forgiveness under an EIDL.
- If the nonprofit applies for an EIDL loan first and obtains it, then the EIDL loan may be rolled into the PPP loan.

✓ The Employee Retention Credit was enacted as part of the CARES Act and is designed to encourage eligible employers to keep employees on their payroll, despite experiencing economic hardship related to COVID-19 through the use of payroll tax credits up to specific limits.

- The Families First Coronavirus Relief Act (FFCRA) requires certain employers to pay sick or family leave wages to employees who are unable to work or telework due to certain circumstances related to COVID-19. Employers are entitled to a tax credit for the required leave paid. See our Families First article here for more information on the FFCRA tax credit.
- **The same wages cannot be counted for PPP, ERC and FFCRA.**