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From: [Steve Milam](#)
To: [Julie McKenna](#)
Subject: SBA Payroll Protection Loan info
Date: Thursday, April 2, 2020 7:26:51 PM
Attachments: [CARES ACT Calculator - Template.xlsx](#)
Importance: High

President Trump signed the CARES (Coronavirus Aid, Relief, and Economic Security) Act on Friday, March 27th. Among its many provisions is a mechanism to apply for an SBA (Small Business Administration) loan through your bank. Banks that have a preferred lender status with the SBA will likely be the initial group to process these types of loans.

The loan is referred to as the Payroll Protection Loan. It is designed to be a working capital loan to help business with their cash flow for payroll during these unusual times. More importantly, to the extent that you continue to pay your employees their ongoing payroll, then the loan will convert to a grant. In other words, you won't have to pay it back. Moreover, the forgiveness of the loan will not be considered as taxable income.

My thought is the purpose of this loan is for employers to keep their employees on payroll and continue to provide the usual benefits including health insurance. This way, the employees won't have to file for unemployment benefits (in the past two weeks, a record 9.9 million US workers have filed unemployment claims, which will likely overwhelm that system) and be able to maintain their health insurance ... which nowadays is a fairly big deal.

Eligible employers include businesses, including non-profits, with less than 500 employees and self-employed individuals. It's my understanding that agricultural businesses will have a similar, but different loan application route. I've heard that at least two banks are asking for documentation in support of its payroll to be provided with the loan application and it may be that all banks will ask for documentation.

You must keep employees on the payroll or rehire them quickly.
Below is a summary of the program:

- Available to businesses with 500 employees or less.
- Loan period ranges from February 15, 2020 through June 30, 2020.
- Loan amount equates to 2.5 times average monthly payroll expenses for 12 months prior to the loan origination—up to \$10 million.
- Loan interest is capped at 4% for any amounts not forgiven.
- SBA will not charge a loan fee
- Loan forgiveness is available—A borrower is eligible for loan forgiveness equal to the amount spent on the following items, during the eight-week period beginning on the loan origination date:
 - Payroll costs
 - Mortgage interest incurred in the ordinary course of business
 - Rent paid based on a leasing agreement
 - Payments for utilities—including electricity, gas, water, transportation, telephone or internet
 - Additional wages paid to tipped employees

Be aware that the loan forgiveness amount can be reduced if there is a reduction in the number of employees or a reduction of greater than 25% in wages paid to employees.

- Collateral is not required to secure the loan.
- No personal guarantee is required to secure the loan.
- Loan repayments are automatically deferred for six months and up to one year. This includes interest, fees and loan principal.
- Payment Protection Program loans are applied for through approved banks. The SBA may administer some loans based on viability.
- For businesses that have been denied SBA loans previously, lending requirements are more lenient.

Here is the link to the SBA loan form. Your bank will also have its own application form.

<https://www.sba.gov/sites/default/files/2020-03/Borrower%20Paycheck%20Protection%20Program%20Application.pdf>

I've also adapted an Excel worksheet that you can use to help determine the amount of the loan to request as well as how much of the loan could be converted to a grant as long as keep paying payroll, rent, etc.

Please be patient with your bank and the SBA. Both are also new to this (as we all are) and will be overwhelmed trying to process the many expected loan applications.

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