



# CARES Act

## Frequently Asked Questions

The government recently passed the Coronavirus Aid, Relief and Economic Security (CARES) Act. This is the largest economic relief bill passed in United States history and allocates \$2.2 trillion to support individuals and businesses affected by COVID-19.

The following document includes FAQs about the loan relief options – including a fully forgiven loan option – available for contractors and builders through this legislation.

### Loan Options Available

#### Q: What is the CARES Act?

**A:** The [CARES Act](#) was signed into law on March 27, 2020. The goal of the legislation is to provide relief for individuals and businesses — including contractors and builders — that are negatively affected by COVID-19. In addition to medical support, the law includes:

- Increased accessibility for small business loans
- Greater eligibility for unemployment benefits
- Payroll tax credits
- Individual benefits

#### Q: How does the CARES Act help me?

**A:** The CARES Act gives contractors and builders access to short-term capital and financial flexibility so that they can maintain their cash flow. There are two loan programs available through this law: the Paycheck Protection Program (PPP) and Economic Injury Disaster Loans program. Information about both loan packages are below.

#### Q: What is the Paycheck Protection Program (PPP) loan?

**A:** Through the [Paycheck Protection Program](#), there is \$349 billion available to help businesses that were operational as of February 15, 2020, borrow up to two months of their payroll costs plus an additional 25% of that amount with a maximum of \$10 million. The purpose of this loan is predominantly aimed at covering payroll costs (up to \$100,000 annually per employee). This loan can also be used to cover utilities, interest on mortgage obligations, rent, employee group health care benefits, insurance premiums, retirement contributions and paid sick leave. This loan can be 100 percent forgiven and is available through June 30, 2020.

#### Q: What is an Economic Injury Disaster Loan (EIDL)?

**A:** Through an [Economic Injury Disaster Loan](#), funds can be used to cover a broader array of costs, including payroll, accounts payable, rent/mortgage payments, paid sick leave and other obligatory payments that can't be met due to revenue loss. An EIDL doesn't have as many rules around loan forgiveness, so there is more flexibility with how it can be used. The qualifications for this loan have expanded in light of COVID-19, and businesses can also receive an emergency loan advance up to \$10,000. The loan advance of up to \$10,000 can be forgiven.

## Q: How do I apply for one of these loan packages?

**A:** Here are the steps:

1. Determine if your business is eligible (loan eligibility listed later in this document).
2. Decide which loan option — PPP or EIDL — is best for your business. It is permissible to apply for both the PPP and EIDL, however, the funds received cannot be used for the same purpose.
3. Get your documentation in order.

### **A. For PPP:**

**I.** Download the Paycheck Protection Program application form [here](#). Contact an existing SBA 7(a) lender or any federally insured depository institution, federally insured credit union, or Farm Credit System institution to see if it is participating in the program. The U.S. Treasury Department encourages business owners to apply for a PPP loan as quickly as possible, because there is a lending cap and lenders need time to process loans. If possible, it is recommended to contact a bank or lender with whom you already have a business relationship. Preferably a lender that has previously provided lending services to your business.

**II.** All applicants need:

1. Business start date
2. Bank account and routing number

**III.** Sole Proprietors, Self Employed and Individual Contractors

1. 2019 IRS Form 1099-MISC for any independent contractors paid, not to exceed \$100,000 for the year
2. 2019 IRS Form 1040-C if your business is a sole proprietorship

**IV.** If you have employees

1. 2019 IRS Form 941 for quarterly salary, wages, commissions and tips
2. 2019 IRS Form 944; same as 941, but annualized
3. 2019 IRS Form W-3
4. 2019 IRS Form 940 for any unemployment costs
5. 2019 IRS Form 1099-MISC for any independent contractors paid, not to exceed \$100,000 for the year
6. 2019 IRS Form 1040-C if your business is a sole proprietorship
7. Monthly payroll statements that will provide the following information:
  - a. Salary, wages, commissions or tips (not exceeding \$100,000 annually for each employee)
  - b. Costs for vacation, parental, family, medical or sick leave
  - c. Costs for separation or dismissal of employees
  - d. State & local taxes assessed on employee compensation

### **B. For EIDL:**

**I.** Access and submit the Economic Injury Disaster Loan application [here](#).

## **Additional Paycheck Protection Program (PPP) FAQs**

### Q: Am I eligible for a PPP loan?

**A:** All contractor and builder businesses that were operational as of February 15, 2020, and have fewer than 500 employees are eligible for loans under the CARES Act until June 30, 2020.

### **Q: How much is my business eligible for?**

**A:** *With a PPP loan, contractors can borrow up to two months of their payroll costs plus an additional 25% of that amount with a maximum of \$10 million.*

### **Q: Will my PPP loan be forgiven?**

**A:** *The PPP loan will be forgiven if all employees are kept on payroll for eight weeks after getting the loan and the funds are used for payroll, utilities, rent, employee group health care benefits, insurance premiums, retirement contributions and paid sick leave. Loan forgiveness will be reduced if:*

- *You decrease your number of full-time employees*
- *You decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annually in 2019*
- *By June 30, 2020, you don't restore full-time employees and salary levels for any changes made between February 15, 2020, and April 26, 2020*

### **Q: What is the loan interest rate?**

**A:** *There is a 1.00% fixed interest rate, but all lenders are required to postpone all principal and interest payments for at least six months.*

### **Q: What can I use my PPP loan for?**

**A:** *Contractors and builders can use the funds to cover expenses including:*

- *Rent, under lease agreements in force before February 15, 2020*
- *Utilities, for service that began before February 15, 2020*
- *Payroll costs, including benefits*
- *Employee salaries*
- *Interest payments on mortgage obligations, incurred before February 15, 2020*
- *Interest on any debt obligations incurred before February 15, 2020*
- *Employee health care benefits*

### **Q: Do I need to apply for loan forgiveness?**

**A:** *You'll need to submit a request to the lender that is servicing your PPP loan to prove you used the loan amount to keep employees and make eligible payments. Your request should include documents that verify the number of full-time equivalent employees and pay rates, as well as the payments on eligible mortgage, lease, and utility obligations. The lender must make a decision on the forgiveness within 60 days.*

### **Q: How do I calculate my payroll if I'm a seasonal business?**

**A:** *Please contact an SBA 7(a) lender for help evaluating your eligibility.*

### **Q: What if I have access to credit elsewhere?**

**A:** *The PPP waives the requirement that a business loan applicant be unable to obtain credit elsewhere.*

### **Q: Do I need to provide collateral for the loan?**

**A:** *No collateral is required and there is no personal guarantee requirement.*

## **Additional Economic Injury Disaster Loan (EIDL) FAQs**

### **Q: Am I eligible for an EIDL loan?**

**A:** *To be eligible for EIDL assistance, contractors and builders who were operational on January 31, 2020, must have fewer than 500 employees and experienced economic losses as a result of COVID-19.*

### **Q: How much is my business eligible for?**

**A:** *The EIDL program limits capital loans at \$2 million to help overcome the loss of revenue. Your loan amount is based on your actual economic injury and company's financial needs.*

### **Q: What is the interest rate?**

**A:** *The interest rate will not exceed 4% per year, and the loan terms will not exceed 30 years. Repayment is determined by your ability to repay the loan.*

### **Q: What can I use my EIDL for?**

**A:** *This loan doesn't have as many rules around loan forgiveness, so there is more flexibility with what contractors and builders can use these funds to cover, including:*

- Payroll*
- Accounts payable*
- Rent or mortgage payments*
- Paid sick leave*
- Other obligatory payments, including debt, that can't be met due to revenue loss*

### **Q: How soon will I receive funds from the EIDL?**

**A:** *Approval for an EIDL loan can take two to three weeks. Once approved, it may take five days to receive the funds. However, the \$10,000 forgivable advance may be available in as few as three business days.*