

Paycheck
Protection
Program

A GUIDE TO the PPP and EIDL

Economic
Injury
Disaster
Loan

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DISCLAIMER

1. This presentation does not constitute legal advice.
2. This presentation does not create an attorney-client relationship.
3. The information in this presentation is accurate to the best of our knowledge as of 5/22/2020, but is subject to change as government agencies release further guidance.
4. This information is intended for child-care center director audiences in the Loyola/United Way/Agenda for Children partnership program and may not be applicable to other audiences.

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WE WILL DISCUSS...

01

EIDL (Economic Injury Disaster Loan) Advance:

1. If I also received PPP...
 - a. Will I have to pay the money back?
 - b. What can I spend the money on?
2. If I did not receive PPP...
 - a. Will I have to pay the money back?
 - b. What can I spend the money on?



02

PPP (Paycheck Protection Program):

1. Will I have to pay the money back?
2. What rules must I follow to have my spending forgiven?
 - a. Spend the money on covered purposes in the covered proportion within the covered time period.
 - b. During the covered period, employ the same number of employees for around the same pay.
 - c. Properly document your payroll expenses, non-payroll expenses, and FTEs.

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TO APPLY THIS INFORMATION, YOU WILL NEED TO KNOW...



- ☐ Did receive money an EIDL (Economic Injury Disaster Loan) Advance?
- ☐ If so, how much did you receive from EIDL?
- ☐ Did you receive money from PPP (Paycheck Protection Program)?
- ☐ If so, how much did you receive from PPP?
- ☐ If so, when did you receive the money from PPP?
- ☐ Do you pay your workers with W-2s or 1099s?
- ☐ How many W-2 employees did you have when you applied?
- ☐ How many W-2 employees do you have now?
- ☐ What tax form do you use to report any payments to yourself?

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WE WILL DISCUSS...

EIDL (Economic Injury Disaster Loan) Advance:

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EIDL ADVANCES

If you applied for an EIDL loan, you may have gotten an advance of \$1,000 per employee, up to \$10,000.

Today, we will only discuss the **advance**, not the rest of the loan.

! Pro Tip: When you receive funds from a grant or loan, you should set that money aside in a separate account.



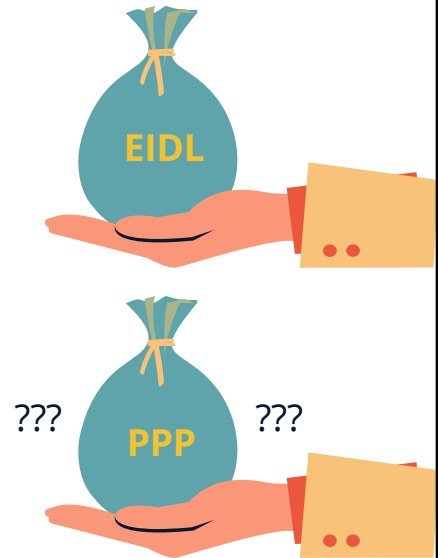
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EIDL ADVANCES

1. Will I have to pay the money back?
2. What can I spend the money on?

It depends...

Did you also receive PPP?



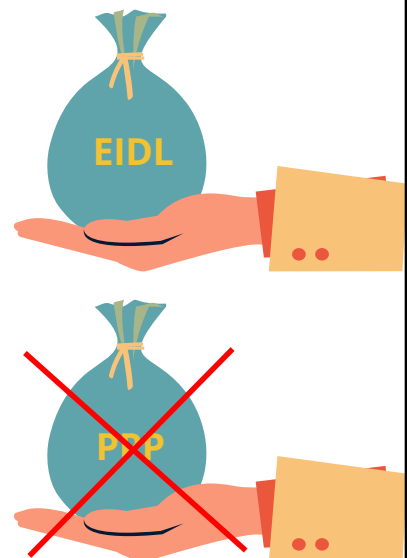
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EIDL ADVANCES

If you did **NOT** receive PPP...

You do **NOT** have to pay back your EIDL money. It is a grant!*

*If you are approved for or accept an EIDL loan, the advance may become repayable.



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EIDL ADVANCES

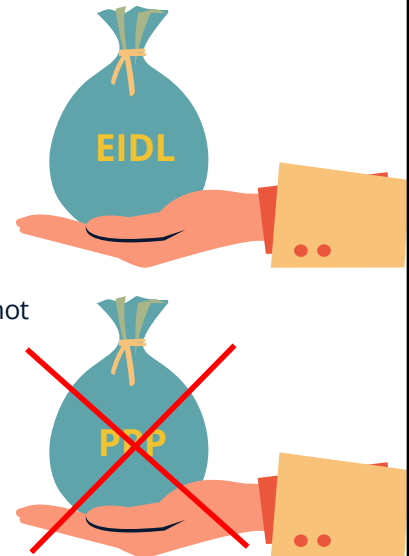
If you did **NOT** receive PPP...

You can spend your EIDL advance on any ordinary business expense, including....

- ✓ • payroll
- paid sick leave
- rent
- mortgage principle
- mortgage interest
- supplies
- insurance
- other obligations that you cannot meet due to reduced revenues

You **CANNOT** spend your EIDL advance to...

- ✗ • expand your business
- refinance debt
- pay loans owed to the government
- pay a tax penalty
- repair physical damage to a structure
- pay dividends to owners

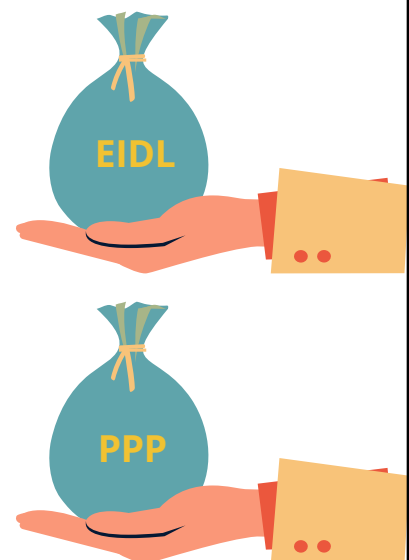


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EIDL ADVANCES

If you **DID** receive PPP...

- Of the forgivable PPP amount, you will have to pay back the amount you received in your EIDL advance within 2 years at a 1% interest rate.
- You should **set aside** an amount of your PPP funds equal to any amount of your EIDL advance that you spent.



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EIDL ADVANCES

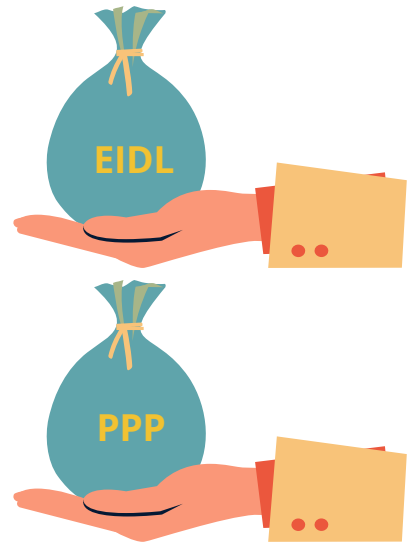
If you **DID** receive PPP...

The rules for what you can and cannot spend EIDL funds on remain the same.

You can use EIDL funds for expenses that you cannot pay with PPP funds.

- | | |
|---------------------------------------|---|
| • mortgage principal | • supplies |
| • 1099 workers' wages | • insurance |
| • paid sick leave related to COVID-19 | • repaying obligations that cannot be met due to revenue loss |

Remember: You should set aside the amount of money you spend in EIDL advance in your PPP account.



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EIDL (Economic Injury Disaster Loan) Advance:

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02

PPP (Paycheck Protection Program):

1. **Will I have to pay the money back?**
2. What rules must I follow to have my spending forgiven?
 - a. Spend the money on covered purposes in the covered proportion within the covered time period.
 - b. During the covered period, employ the same number of employees for around the same pay.
 - c. Properly document your payroll expenses, non-payroll expenses, and FTEs.



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PPP: INFO AND RULES

1. **Will I have to pay the money back?**
2. What rules must I follow to have my spending forgiven?

Right now, PPP is a loan. You have to pay it back within 2 years at 1% interest rate.

BUT...

If you spend the money according to the rules, your loan may be partially or totally forgiven. Any amount that is not forgiven must be repaid.

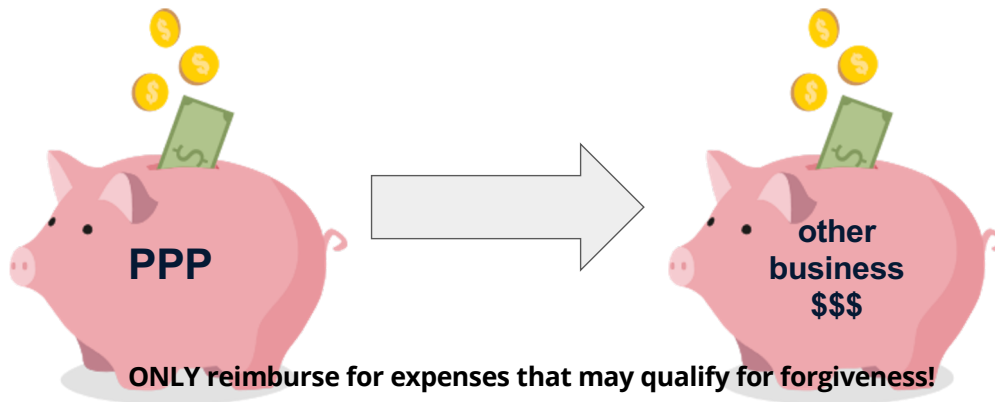


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PRO TIP

Open a **separate bank account** for your PPP funds. Why?

- Easier to keep records of your spending.
- Easier to pay back any PPP money that you do not spend.



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PPP: INFO AND RULES

Your PPP loan may be eligible for **partial** or **full** loan forgiveness if you follow these three rules:

1. Spend the money on covered purposes in the covered proportion within the covered time period.
75% payroll/25% non payroll spent w/in 8 week period.
1. During the covered time period, employ the same number of employees for around the same pay.
OR: Keep FTE the same @ same salary during the 8 week period.
1. Properly document your payroll expenses, non-payroll expenses, and FTEs.
DOCUMENT, DOCUMENT, DOCUMENT! See the list on forgiveness app.

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PPP: INFO AND RULES

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1. Properly document your payroll expenses, non-payroll expenses, and FTEs.
OR: DOCUMENT, DOCUMENT, DOCUMENT! See the list on forgiveness app.

You must apply for loan forgiveness.

If eligible, you will receive forgiveness **on the smallest amount:**

- The percent eligible based on spending (at least 75% payroll costs)
- Whether you kept the same FTE at the same salary (proportional reduction)
- The total loan amount.

You will be required to submit documentation and keep some documentation.

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PPP: RULE #1

Your PPP loan may be eligible for partial or full loan forgiveness if you follow these three rules:

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75% payroll/25% non payroll spent w/in 8 week period.

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PPP Rule 1

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PPP RULE #1

Spend the money on **covered purposes** in the **covered proportion** within the **covered time period**.

- What are the covered purposes?
- What is the covered proportion?
- What is the covered time period?



PPP Rule 1

18

PPP RULE #1:

Spend the money on **covered purposes** in the covered proportion within the covered time period.

What are the covered purposes?

- payroll costs
- rent
- mortgage interest
- utilities



PPP Rule 1

19

PPP RULE #1:

Spend the money on **covered purposes** in the covered proportion within the covered time period.

What counts as a payroll cost?

Any payment to W-2 employees in the form of

- wages and salaries
- cash tips
- allowance for dismissal or separation
- payment of group health care benefits
- payment of retirement benefits
- payment of state or local tax assessed on the compensation of employees
- payment of vacation time
- payment of parental, family, medical, or sick leave not related to COVID-19



PPP Rule 1

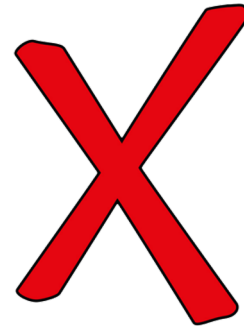
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PPP RULE #1:

Spend the money on **covered purposes** in the covered proportion within the covered time period.

What does NOT count as a payroll cost?

- any payment to 1099 workers
- any family or sick leave required by the Families First Coronavirus Response Act
- payment of the employer's share of federal payroll tax (FICA).



PPP Rule 1

21

PPP RULE #1:

Spend the money on **covered purposes** in the covered proportion within the covered time period.

If I pay myself, is that a covered payroll cost?

Yes, but only if

- you pay yourself as a W-2 employee, or
- you are a sole proprietor or general partner and reported self-employment income on Form 1040 Schedule C of your 2019 tax return.

$$\text{owner's pay} = \text{2019 net profits*} \times \frac{8}{52}$$

*2019 net profits = Line 31 of Form 1040 Schedule C



PPP Rule 1

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PPP RULE #1: Spend the money on **covered purposes** in the covered proportion within the covered time period.

What non-payroll costs are covered?

- mortgage interest, as long as the mortgage was entered before Feb. 15, 2020
- rent, as long as the leasing agreement was in force before Feb. 15, 2020
- utility payments, as long as service began before Feb. 15, 2020

NOT mortgage principle, but remember you can use EIDL for that.

Utilities include electricity, gas, water, phone, and internet.

PPP Rule 1

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PPP RULE #1: Spend the money on covered purposes in the **covered proportion** within the covered time period.

What is the covered proportion?

To understand this part of the rule, we need to sort the covered purposes into two buckets:



PAYROLL



NON-PAYROLL

PPP Rule 1

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PPP RULE #1: Spend the money on covered purposes in the **covered proportion** within the covered time period.

To achieve full forgiveness, payroll must make up at least **75%** of your total spending.



PPP Rule 1

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PPP RULE #1: Spend the money on covered purposes in the **covered proportion** within the covered time period.

What happens if I spend less than 75% of my PPP loan on payroll?

You will face a proportionate reduction in the total amount of forgiveness for which you are eligible.

Total forgiveness cannot exceed $[\text{payroll spending}] \div 0.75$

You will face a proportionate reduction in the amount you can spend on covered non-payroll expenses.

Non-payroll spending cannot exceed $[\text{payroll spending}] \div 3$

PPP Rule 1

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PPP RULE #1:

Spend the money on covered purposes in the covered proportion within the **covered time period**.

What is the covered time period?

8 weeks, beginning...

- on the date the money appeared in your account, if you received the funds electronically.
- on the date on the check, if you received a physical check.
- at the start of first pay period that began after the money appeared in your account or after the date on the check, for payroll expenses only (optional). "Alternative Payroll Covered Period".

PPP Rule 1

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PPP RULE #1:

Spend the money on covered purposes in the covered proportion within the **covered time period**.

Can I use PPP funds for expenses that I pay after the covered time period?

If you incur payroll and non-payroll expenses during the covered period and pay those expenses on or before the next regular date on which they are due, those expenses can be forgiven.

PPP Rule 1

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PPP: RULE #2

Your PPP loan may be eligible for partial or full loan forgiveness if you follow these three rules:

1. Spend the money on covered purposes in the covered proportion within the covered time period.

OR: 75% payroll/25% non payroll spent w/in 8 week period.



1. **During the covered time period, employ the same number of employees for around the same pay.**

OR: Keep FTE the same @ same salary during the 8 week period.

1. Properly document your payroll expenses, non-payroll expenses, and FTEs.

PPP Rule 2

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PPP: RULE #2

2. During the covered time period, employ the **same number of employees** for **around** the **same** pay.

- To what time period will my number of employees be compared?
- How will the government count my employees?
- To what time period will my employees' pay be compared?
- How close is around the same pay?

PPP Rule 2

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PPP RULE #2: During the covered time period, employ the **same number** of employees for around the same pay.

To what time period will my number of employees be compared?

You have a choice. The number of employees during the covered 8-week period can be compared to:

- February 15, 2019 - June 30, 2019, or
- January 1, 2020 - February 29, 2020

Tip: choose the period when you had fewer employees.

Your chosen comparison period is called your **reference period**.

PPP Rule 2

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PPP RULE #2: During the covered time period, employ the same **number of employees** for around the same pay.

How will the government count my employees?

First, here's what they do not count:

- the number of individual humans who work for you (part-time employees can be added together!)
- whether these are the same individual humans who worked for you during the baseline period.



PPP Rule 2

32

PPP RULE #2: During the covered time period, employ the **same number of employees** for around the same pay.

How will the government count my employees?

The total number of hours of labor that you employed, using units called full-time equivalents, or **FTEs**.

Note on Overtime: When you **calculate** FTE, you include all hours worked.

Any employee whose average is more than 40 hours per week counts only as 1.0 FTE.

An employee's FTE is determined by the average hours per week for the covered period and reference period:

Full-time

40 hrs per week = 1 FTE

Part-time (less than 40 hours/week)

$x \text{ hrs per week} = \frac{x}{40} \text{ FTEs or } 0.5 \text{ FTEs}^*$

*You may consistently use either calculation method for part-time employees.

PPP Rule 2

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PPP RULE #2: During the covered time period, employ the **same number of employees** for around the same pay.

FTEs, cont'd: Method 1

Calculation Method 1:							
Reference Period (either 2/15/19-6/30/19 or 1/1/20-2/29/20)		Covered Period or Alternative Payroll Covered Period					
	EE 1 HRs Worked	EE 2 HRs worked			EE 1 HRs Worked	EE 2 HRs worked	
Week 1	51	38	Week 1	51	38		
W2	43	32	W2	43	32		
W3	50	35	W3	50	35		
W4	47	27	W4	47	27		
W	45	38	W	45	38		
W6	52	39	W6	52	39		
W7	48	40	W7	48	40		
W8	39	25	W8	39	25		
Total	375	274	Total	375	274		
÷ by 8	46.875 (avg hrs/week)	34.25 (avg hrs/week)	÷ by 8	46.875 (avg hrs/week)	34.25 (avg hrs/week)		
÷ by 40	1.171875	0.85625	÷ by 40	1.171875	0.85625		
Round to nearest 1/10	1.2	0.9	Round to nearest 1/10	1.2	0.9		
>1 = 1			>1 = 1				
<1, = Same	1	0.9	<1, = Same	1	0.9		
You must use the same calculation methods for both periods!							

One employee cannot be more than 1 FTE!

Full-Time Equivalents
FTEs:

Full-time

40 hrs/week = 1 FTE

Part-time (less than 40 hrs/week)

$x \text{ hrs per week} = \frac{x}{40}$
or 0.5 FTEs*

*You can choose to calculate part-time employees either way, but must stay consistent!

PPP Rule 2

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PPP RULE #2: During the covered time period, employ the **same number of employees** for around the same pay.

FTEs, cont'd: Method 2

Calculation Method 2:					
Reference Period (either 2/15/19-6/30/19 or 1/1/20-2/29/20)			Covered Period or Alternative Payroll Covered Period		
	EE 3 HRs Worked	EE 4 HRs worked		EE 3 HRs Worked	EE 4 HRs worked
Week 1	40	38	Week 1	88	37
W2	41	32	W2	72	23
W3	45	35	W3	60	19
W4	39	27	W4	60	27
W	42	38	W	58	38
W6	40	39	W6	52	39
W7	41	40	W7	49	40
W8	40	25	W8	40	25
Total	328	274	Total	479	248
÷ by 8	41 (avg hrs/week)	34.25 (avg hrs/week)	÷ by 8	59.875 (avg hrs/week)	31 (avg hrs/week)
40 or above, divide by 40	1.025	Less than 40	40 or above, divide by 40	1.496875	less than 40
> 40, = 1. <40, =.5	1	0.5	> 40, = 1. <40, =.5	1	0.5

You must use the same calculation methods for both periods!

One employee cannot be more than 1 FTE!

Full-Time Equivalents FTEs:

Full-time

40 hrs/week = 1 FTE

Part-time (less than
40 hrs/week)

$$x \text{ hrs per week} = \frac{x}{40}$$

or 0.5 FTEs*

*You can choose to calculate part-time employees either way, but must stay consistent!

PPP Rule 2

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PPP RULE #2: During the covered time period, employ the **same number of employees** for around the same pay.

FTEs, cont'd: More rules!

When you go to tally the number of FTEs to report for each period, you cannot report one individual employee as more than 1.

You will do this calculation for your reference period and your 8-week period. A reduction in your forgive-able amount occurs if the fraction is less than 1:

8 week covered period avg FTEs ÷ reference period FTEs.

Full-Time Equivalents FTEs:

Full-time

40 hrs/week = 1 FTE

Part-time (less than
40 hrs/week)

$$x \text{ hrs per week} = \frac{x}{40}$$

or 0.5 FTEs*

PPP Rule 2

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PPP RULE #2: During the covered time period, employ the **same number of employees** for around the same pay.

How can I avoid a reduction in my PPP forgiveness based on my FTE count?

Method 1: Maintain the same number of FTEs during the covered period that you had in your reference period. In other words, employ the same total hours of labor in both periods.

But if you already missed the boat on that....



PPP Rule 2

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PPP RULE #2: During the covered time period, employ the **same number of employees** for around the same pay.

How can I avoid a reduction in my PPP forgiveness based on my FTE count?

Method 2: If you reduced staffing between 2/15/2020 and 4/26/2020, you can avoid a reduction in forgiveness if, by **June 30th**, you reach the same number of FTEs that you had in the pay period that included February 15th.

This is called the **safe harbor**.



PPP Rule 2

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PPP RULE #2: During the covered time period, employ the **same number of employees** for around the same pay.

What if I cannot make safe harbor?

You will face a proportional reduction in the amount of your loan that can be forgiven.

Total forgiveness cannot exceed:

$$[\text{total spending}] \times \frac{[\text{covered period avg. FTEs}]}{[\text{baseline period avg. FTEs}]}$$



Your covered period FTE ÷ Reference Period FTE cannot be more than 1.

PPP Rule 2

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PPP RULE #2: During the covered time period, employ the **same number of employees** for around the same pay.

What if I cannot make safe harbor because my employees did not want to come back to work?

- If you make a written offer for an employee to return to the same position with the same hours at the same wage, the employee refuses, you document the refusal, and you report the employee's refusal to the La. Workforce Commission, this will waive your proportional reduction in forgiveness.
- If you fire an employee for cause, an employee voluntarily resigns, or an employee asks to reduce their hours (and works reduced hours) during the covered period, this will also waive your proportional reduction in forgiveness.



This is called the **reduction exception**.

Note: the reduction exception does not apply if you fill the position with a new employee within the covered or alternative payroll covered period.

PPP Rule 2

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PPP RULE #2:

During the covered time period, employ the same number of employees for around the **same pay**.

To what time period will my employees' **pay** be compared?

Your employees' pay during the covered 8-week period will be compared to their pay during the period of....

January 1, 2020 - March 31, 2020



PPP Rule 2

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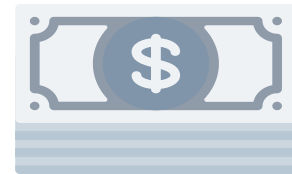
PPP RULE #2:

During the covered time period, employ the same number of employees for **around** the same pay.

How close is around the same pay?

You cannot reduce pay rates by more than 25% below the rates of January 1, 2020 - March 31, 2020.

If you do, you must raise them back to within 25% of the levels of February 15th by June 30th, or else you will face a proportional reduction in forgiveness.



PPP Rule 2

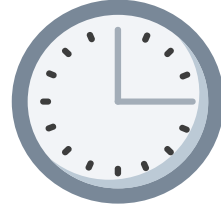
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PPP RULE #2:

During the covered time period, employ the same number of employees for **around** the same pay.

Can I pay my employees more?

Yes. You may offer your employees hazard pay or bonuses. Any amounts you offer should be reasonable and necessary. You should document your business reasons for increasing pay.



PPP Rule 2

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PPP: RULES

Your PPP loan will be forgiven if you follow these three rules:

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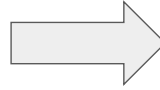


1. Properly document your payroll expenses, non-payroll expenses, and FTEs.

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PPP: RULES #1 AND #2

What happens if I spend less than 75% of my loan on payroll (RULE #1) AND I do not reach my reference level of FTEs in the covered 8-week period (RULE #2)? Will I be penalized twice for missing both goals?



No.
Your forgiveness will be limited to **whichever reduction is greater.**

Remember! For loan forgiveness eligibility:

You will receive forgiveness **on the smallest amount:**

- The percent eligible based on spending (at least 75% payroll costs)
- Whether you kept the same FTE at the same salary (proportional reduction)
- The total loan amount.

You will be required to submit documentation and keep some documentation.

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PPP: RULE #3

Your PPP loan may be eligible for partial or full loan forgiveness if you follow these three rules:

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1. During the covered time period, employ the same number of employees for around the same pay.

OR: Keep FTE the same @ same salary during the 8 week period.



1. **Properly document your payroll expenses, non-payroll expenses, and FTEs.**

PPP Rule 3

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PPP: RULE #3: Properly document your payroll expenses, non-payroll expenses, and FTEs.

- How do I document my payroll expenses?
- How do I document my non-payroll expenses?
- How do I document my FTEs?



PPP Rule 3

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PPP: RULE #3: Properly document your **payroll expenses**, non-payroll expenses, and FTEs.

How do I document my payroll expenses?

- Bank account statements or third-party payroll service provider reports documenting the amount of cash compensation paid to employees.
- Tax forms (or equivalent third-party payroll service provider reports) for the periods that overlap with the Covered Period or the Alternative Payroll Covered Period:
 - o Payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941); and
 - o State quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state.
- Payment receipts, cancelled checks, or account statements documenting the amount of any employer contributions to employee health insurance and retirement plans that the Borrower included in the forgiveness amount.

PPP Rule 3

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PPP: RULE #3: Properly document your payroll expenses, non-payroll expenses, and FTEs.

How do I document my non-payroll expenses?

- Business mortgage interest payments: Copy of lender amortization schedule and receipts or cancelled checks verifying eligible payments from the Covered Period; or lender account statements from February 2020 and the months of the Covered Period through one month after the end of the Covered Period verifying interest amounts and eligible payments.
- Business rent or lease payments: Copy of current lease agreement and receipts or cancelled checks verifying eligible payments from the Covered Period; or lessor account statements from February 2020 and from the Covered Period through one month after the end of the Covered Period verifying eligible payments.
- Business utility payments: Copy of invoices from February 2020 and those paid during the Covered Period and receipts, cancelled checks, or account statements verifying those eligible payments.

PPP Rule 3

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PPP: RULE #3: Properly document your payroll expenses, non-payroll expenses, and FTEs.

How do I document my FTEs?

- payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941).
- state quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state.



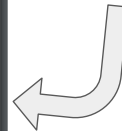
PPP Rule 3

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PPP: RULE #3: Properly document your payroll expenses, non-payroll expenses, and FTEs.

<https://www.sba.gov/sites/default/files/2020-05/3245-0407%20SBA%20Form%203508%20PPP%20Forgiveness%20Application.pdf>

Page 10 of the Loan Forgiveness Application lists documentation requirements.



PPP Rule 3

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PPP: RULE #3

Your PPP loan may be eligible for partial or full loan forgiveness if you follow these three rules:

1. Spend the money on covered purposes in the covered proportion within the covered time period.
OR: 75% payroll/25% non payroll spent w/in 8 week period.
1. During the covered time period, employ the same number of employees for around the same pay.
OR: 75% payroll/25% non payroll spent w/in 8 week period.
1. Properly document your payroll expenses, non-payroll expenses, and FTEs.
OR: DOCUMENT, DOCUMENT, DOCUMENT! See the list on forgiveness app.



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Eligibility for Loan Forgiveness:

You must submit a loan forgiveness application.

Remember! For partial or full loan forgiveness eligibility:

You will receive forgiveness **on the smallest amount:**

- The percent eligible based on spending (at least 75% payroll costs)
- Whether you kept the same FTE at the same salary (proportional reduction)
- The total loan amount.

You will be required to submit documentation and keep some documentation for your records.

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WE'RE DONE!

01

EIDL (Economic Injury Disaster Loan):

1. If I also received PPP...
 - a. Will I have to pay the money back?
 - b. What can I spend the money on?
2. If I did not receive PPP...
 - a. Will I have to pay the money back?
 - b. What can I spend the money on?



02

PPP (Paycheck Protection Program):

1. Will I have to pay the money back?
2. What rules must I follow to have my spending forgiven?
 - a. Spend the money on covered purposes in the covered proportion within the covered time period.
 - b. During the covered period, employ the same number of employees for around the same pay.
 - c. Properly document your payroll expenses, non-payroll expenses, and FTEs.

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THANKS!

The foregoing is not legal advice. This does not create attorney-client relationship. This information is intended to be provided based on the currently-available information about these programs and is subject to change. This information is intended for child-center director audiences in the Loyola/United Way/Agenda for Children partnership program may not be applicable to other audiences.

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