

CAPE COD COMMERCIAL
**FISHERMEN'S
ALLIANCE**
Small Boats. Big Ideas.

Last Updated: 7.7.2020

PAYCHECK PROTECTION PROGRAM (PPP)

The information provided does not represent legal or financial advice. It has been collected from official and expert sources and is accurate at the time of the last update. Please consult with your own banker, attorney, or accountant to confirm your eligibility and discuss the details of your particular situation.

The Paycheck Protection Program (PPP) is a forgivable loan designed to provide a direct incentive for small businesses to keep their workers on the payroll despite limited revenue due to COVID19 impacts.

The loan will be **fully forgiven** if the funds are used for payroll costs, interest on mortgages, rent, and utilities. Loan payments will be deferred for six months. No collateral or personal guarantees are required. Neither the government nor lenders will charge small businesses any fees.

All PPP applications must be submitted to the SBA by the lender by August 8, 2020, so if you are interested, apply soon with an **approved SBA lender!** There is still

Fishing businesses, including those who are self-employed, are eligible to receive a PPP loan.

Crew who receive a 1099 are eligible to apply for and receive their own PPP loan to pay themselves.

June 25 Update: New guidance now allows boat owners to include 1099 Crew as employees for calculating payroll costs:

- **New applications: include in the payroll calculation the amount you pay your crew, per box 5 of 1099-MISC.**
- **If your 1099 crew already received their own PPP loan, you CANNOT include them in your PPP loan.**
- **You may be able to AMEND your loan and increase the amount of the loan to include your crew only if the lender has not yet reported your loan to SBA on Form 1502. You will have to talk to your lender to confirm if this is possible.**
- **Due to the increased risk of duplicate payroll costs, PPP loans to fishing boat owners that include 1099 crew are more likely to be subject to an SBA loan review. PLEASE be diligent in your application and record-keeping.**

NOTE: New legislation has provided more flexibility, making it easier to be eligible for full loan forgiveness:

- Extend the spending period from 8 weeks to 24 weeks, providing flexibility for borrowers to qualify for loan forgiveness. Borrowers who have already received PPP loans retain the option to use the original 8 week period.
- Reduces the amount that has to be spent on payroll costs from 75% to 60%, to qualify for full forgiveness.
- Increase loan term to 5 years.
- Additional safe harbor provisions and allowances for partial forgiveness.



- [Learn more about the changes here.](#) Note, the changes are not yet updated on the SBA website.

PPP loans are being offered on a first come, first served basis until the funds run out.

[See the Official SBA PPP page.](#)

June 17 Update: SBA published a [new EZ version of the forgiveness application](#) that applies to borrowers that:

- Are self-employed and have no employees; OR
- Did not reduce the salaries or wages of their employees by more than 25%, and did not reduce the number or hours of their employees; OR
- Experienced reductions in business activity as a result of health directives related to COVID-19, and did not reduce the salaries or wages of their employees by more than 25%.

The EZ application requires fewer calculations and less documentation. Details are available in the instructions to the [new EZ application form \(page 3\)](#).

U.S. Small Business Administration (SBA) also posted a revised, borrower-friendly Paycheck Protection Program (PPP) loan forgiveness application implementing the PPP Flexibility Act of 2020.

[Click here to view the Full Forgiveness Application.](#)

June 8 Update: New legislation has provided more flexibility in qualifying for full loan forgiveness. [Read the details here.](#)

May 18 Update: U.S. Treasury has released the application form that will have to be submitted to your PPP lender for you to receive PPP loan forgiveness. Check with your lender before you start filling out, since they may have their own internal version you need to use. See the details of what will be required: <https://home.treasury.gov/news/press-releases/sm1010>.

If you are a sole proprietor, check with your lender on what is considered “payroll costs.” There is [guidance from the SBA](#) (section 1- f) indicating that for sole proprietor/self-employed, they will calculate “owner compensation replacement.” Essentially, it won’t matter what you pay yourself now using the loan funds. They will assume you paid yourself an amount equal to 8 weeks worth of your 2019 net profit, but excluding any qualified sick leave equivalent amount or qualified family leave equivalent amount claimed under the CARES Act.

May 13 Update: Lenders are still accepting PPP applications; funds are still available.

April 27 Update: An additional \$310 Billion has been added to PPP. As of 10:30 am today, lenders can start submitting new applications to SBA for approval. Current advice is to APPLY IMMEDIATELY before the new funds run out; if you miss this round, you’ll still be in line for the next round of relief. Congress is working on a third round of relief funding.

PPP Details & Tips:

- The first step is to contact your bank or other [approved SBA lenders](#) to submit your application as soon as possible. Applications with community banks



seem to be faster than those with national banks and the second round of funding will have \$60 billion dedicated for community banks and smaller credit unions.

- The maximum amount you can borrow is 2.5x your average monthly payroll, plus the amount of your pre-existing SBA economic impact disaster loan (EIDL), minus the EIDL advance. Individual employee income is capped at \$100,000 for purposes of calculating average monthly payroll.
- Loan can only be used for payroll costs (gross wages, health insurance, 401k plan), business rent, utilities or mortgage interest payments. If you don't have payroll (self-employed) you can still use it to pay yourself. Note: mortgage debts, rental leases and utility service must have been in place before 2/15/2020.
- Loan forgiveness is equal to the amount you spent during the 8 week period, if at least 75% of the loan is used to cover payroll costs and no more than 25% is used for other eligible expenses. The forgivable amount is reduced if there is a reduction in the number of employees or a reduction of greater than 25% in wages paid to employees
- The portion of the loan that is not forgiven will have an interest rate of 1% with up to a 2 year term. Loan payments can be deferred for 6 months. No prepayment penalty or loan fees.
- Are you eligible? As of Feb 15, 2020, you have employees for whom you paid salaries and payroll taxes. OR you are an individual who operates under a sole proprietorship. OR you are an independent contractor.
- You must be able to provide documentation of payroll records and payroll tax filings OR provide 1099 MISC records for income you received OR provide income and expenses from a sole proprietorship OR provide bank records sufficient to demonstrate a qualifying payroll amount.
- Independent contractors **do NOT count as employees** for purposes of PPP loan calculations or for PPP loan forgiveness because they can apply for a PPP loan themselves. Your crew is considered an independent contractor if they receive 1099-MISC from you.
- U.S. Chamber of Commerce [Guide for understanding Paycheck Protection Program](#) (PPP) for small businesses is an excellent overview.
- See Treasury Department [PPP fact sheet](#) for additional details and instructions. They also have additional [guidance for seasonal employers](#)
- A sample application can be [found here](#).
- Cape Cod Five has a [worksheet to do the math](#) on how much you can apply for and how to estimate how much will be forgiven.
- If you receive a PPP loan, you CANNOT take the employee retention credit nor delay payroll tax remittance.

PPP Common Questions & Answers:

1. Do I include my crew in the payroll calculation?
 - If you give your crew a 1099-MISC, do NOT include them in your PPP application. If they receive a W-2 from you, they can be included in the calculations for both the loan amount and the estimated forgiveness amount.



2. I am self-employed/sole proprietor and don't receive a W-2 myself. How do I calculate payroll?
 - Go to your Schedule C on your federal taxes. Subtract your total expenses from your total revenue to get your net profits. That should be line 31. Divide by 12 to get the average monthly payroll.
3. My Schedule C line 31 is zero; how do I calculate payroll?
 - If your line 31 is zero, then your payroll is considered to be zero. You are better off focusing on applying for unemployment and the SBA EIDL.
4. I get 1099's, how do calculate my payroll?
 - Add up all your 1099's for 2019. Divide by 12 to get your average monthly payroll.
5. I get 1099's and W-2's from multiple jobs. What do I include as payroll?
 - Only include your 1099's.
 - Your income from W-2 cannot be included. Encourage your W-2 employer to apply for PPP and pay you through their loan.
6. Can I receive both PPP and unemployment?
 - You definitely CANNOT receive them at the same time, since PPP provides you with a paycheck.
 - You can take them sequentially. For example, take 8 weeks of PPP now, then if you still can't sell your fish, file for unemployment.
 - i. PPP is supposed to be open through June 30, 2020. Your 8 week period to use the funds starts within 10 days of being approved by your lender.
 - ii. Unemployment is available through the end of December 2020, although the extra \$600/wk ends July 31, 2020.
 - iii. If your business has been impacted from the beginning and continues to be impacted, you should be able to apply now for retroactive unemployment in Feb/March/April, stop unemployment while you get paid by PPP for May and June, then reapply for unemployment if you're still not fishing.
7. Can I include loss of multiple income streams in my application? Like shellfishing plus 1099 income from crewing.
 - Yes, both incomes should be considered.
8. What if my 2019 taxes aren't filed yet?
 - You are supposed to be able to use 2018. If 2019 is higher, ask your bank if they will accept draft/unfiled 2019 taxes
9. My bank requires customers to have a business checking account and I don't have one. What do I do?
 - All banks have different policies and rules. Banks are supposed to support non-customers in this process, but difficult to enforce. You can look for a different [approved SBA lender](#). We have heard good results from using the local community banks.
10. Can I use PPP to pay the interest on my boat loan?
 - An SBA representative has confirmed that "first preferred ships mortgage" interest would qualify as mortgage interest, so you can use PPP to pay that interest during the 8 week period.
 - If you do not know if your boat loan is a "first preferred ships mortgage", please check with your boat loan lender.
 - Remember, only 25% of the loan can pay for certain non-payroll expenses
11. Can I use PPP to pay for my dock/wharf fees?
 - It depends how you categorize them on your taxes. If dock and wharf fees are included under "utilities" on your taxes, they are then considered utilities for PPP.
 - Remember, only 25% of the loan can pay for certain non-payroll expenses
12. I don't have a business name; what do I put in the "business name" field?
 - Put your legal name, as it appears on your taxes.



13. My address or SSN won't fit in the application form.

- Don't worry that it overflows the box- type it all in. You will upload the file to the portal and the lender will be able to open the file and get all the information.

14. Can I sign the application electronically?

- Check with your lender; each bank is different.

15. What is "Business TIN" on the application?

- If you are sole proprietor/self-employed/independent contractor, put your social security number.
- If you are an incorporated business, it is your employer identification number (check you taxes)

16. How many employees do I have?

- Count yourself, plus anyone that you provide a W-2 to.

17. What type of documentation do I need to provide to the lender to obtain loan forgiveness?

- At the end of the 8 week period, you have to submit a request to the lender for loan forgiveness.
- Save all receipts/invoices and payroll records that were paid by the loan, to prove how you spent the funds.
- If you don't have payroll, make sure you are writing yourself a check, so there is a paper trail for paying yourself. Even if you don't normally write yourself a check, do it in this instance.
- There is [guidance from the SBA](#) (section 1- f) indicating that for sole proprietor/self-employed, they will calculate "owner compensation replacement." Essentially, it won't matter what you pay yourself now using the loan funds. They will assume you paid yourself an amount equal to 8 weeks worth of your 2019 net profit, but excluding any qualified sick leave equivalent amount or qualified family leave equivalent amount claimed under the CARES Act.

18. Do I have to pay taxes on PPP loan?

- The PPP loan is not considered taxable income to the business. However, the amount you pay yourself will be considered taxable income and need to be reported on your 2020 taxes.

19. I am an S-Corp with K1. Do I count the money I receive as reported on the K1 as payroll?

- NO. Anything reported on your K1 is not considered payroll for PPP.

20. I applied for an EIDL but haven't received it yet. Do I include it on my PPP application?

- No.

21. I have bad credit. Can I still get a PPP loan?

- Yes. Standard lending criteria has been waived by the SBA. There is no collateral or personal guarantee required for the loan.

If You Apply for PPP & EIDL:

- Borrowers can apply for BOTH an Economic Injury Disaster Loan and the Paycheck Protection Program loan.
- The Paycheck Protection Program loan funds and the Economic Injury Disaster Loan funds cannot be used for the same purpose.
- Borrowers who accept both loan funds should document the uses of the funds appropriately. Best approach would be to use PPP for payroll and EIDL for working capital needs.



- If your Economic Injury Disaster Loan was used for payroll costs, your Paycheck Protection Program loan MUST be used to refinance your Economic Injury Disaster Loan. This appears to be limited to EIDLs approved before April 3.
- **Any advance up to \$10,000 on the Economic Injury Disaster Loan will be deducted from the loan forgiveness amount of the Paycheck Protection Program loan.**
- For example, a borrower may obtain a loan from the Paycheck Protection Program and use those funds to pay for 8 weeks of payroll or employee retention. They may wish to then dedicate their entire EIDL funds towards working capital, notes payable and accounts payable that do not duplicate the funds provided through the Paycheck Protection Program. If the EIDL loan was used for payroll expenses, the borrower must refinance the EIDL loan with the PPP loan which carries a lower interest rate as well as a shorter maturity period.
- If you are applying for both, you can accept PPP first – then decide whether or not to close on your EIDL approved loan.

