

# CARES Act

## Paycheck Protection Program Loan

---

The US Congress recently passed the Coronavirus Aid, Relief and Economic Security Act (CARES Act). Certain provisions of this bill directly affect small business owners and employees. AABP members can find information about the CARES Act on the AABP COVID-19 Resources [page](#). The AVMA has an excellent webinar that can be viewed on the AVMA Axon site that describes the loans and economic support being offered to small businesses. The webinar is available at this [link](#) (login required).

The CARES Act provides for \$377 billion of economic relief for small businesses. The two loans available to small businesses are the Paycheck Protection Program (PPP) Loan and Small Business Administration Economic Injury Disaster Loan (EIDL). Please use this document as a summary of the loans and work with your bank and accountant for detailed information.

### **Paycheck Protection Program Loan (PPP)**

- Application is made through your bank or lending institution.
- Loan is a non-recourse loan meaning there is no collateral or personal guaranty required.
- The purpose of the loan is to support payroll expenses of a business to encourage businesses to maintain employees on the payroll during this crisis.
- Payback period of the loan is 2 years with an interest rate of 1% and a 6-month deferral of payments with no pre-payment penalty.
- The loan is available to all businesses with less than 500 employees. Veterinary practices as well as your clients' operations can apply for the loan if they satisfy the terms of the loan application.
- A business can apply for a loan amount that is equal to 2.5 times the average monthly payroll costs.
- To calculate, businesses should average total monthly compensation, insurance benefits, local/state tax assessed on payroll (such as unemployment or workers comp insurance), bonuses and retirement plan benefits paid by employer. This amount is your average monthly payroll costs and the loan amount maximum is 2.5 times this figure.
- The maximum annual payroll is capped at \$100,000 per employee. Amounts over this should not be calculated.
- Loan funds can be used for payroll costs, interest on mortgages, rent, utilities and interest on debts incurred before February 15, 2020.
- The primary advantage of this loan is the forgiveness portion. Loan forgiveness is not taxable income.
- If 75% or more of the loan is used for payroll costs and the number of full time equivalent (FTE) employees is not reduced during the 8-week time period from the origin date of the loan, the loan may be forgiven.
- It is recommended that employers keep copious records on payments made using the loan funds. The borrower will be able to submit a forgiveness application to the lender at the end of the 8-week time period and the lender has 60 days to respond.
- The PPP application can be found [here](#). The application process is simple and takes less than one hour to complete in most circumstances.

- Additional documentation will be needed such as tax returns and insurance or IRA payments.

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

- Administered through the Small Business Administration and application should be sent directly to the SBA.
- Information about the loan and the application can be found [here](#).
- The entire USA has been declared a disaster area therefore all regions of the U.S. qualify for the loan.
- The loan does not have a forgiveness portion. The purpose of the loan is to provide capital to businesses experiencing financial disruption due to COVID-19.
- The loan funds can be used to pay fixed debts, payroll, and accounts payable.
- Funds cannot be used for dividends, distributions, acquisition of assets or expansion of facilities.
- Maximum interest rate is 3.75% up to 30 years with a 12-month deferral and no pre-payment penalty.
- Applications will take 3-4 weeks for approval and another 3-4 weeks for loan funds to be dispersed.
- Businesses can apply for funding between \$25,000 to \$2,000,000.
- Businesses can apply for both loans (PPP and EIDL).
- Additional documentation will be required when applying for the loan such as business financial statements and tax returns.
- The AVMA is encouraging applicants to include a letter with the application to include:
  - Amount of loan requested.
  - Brief overview of the business and its operations.
  - Description of how the business handles cash flow.
  - Description of the financial injury such as data to support the request (i.e. reduction in work volume and/or revenue) and a forward-looking view.