



Maine Department of Economic & Community Development  
**Financial Resources in Response to COVID-19-related  
closures and economic disruption**

*Business Information Sheet #2 – Paycheck Protection Program*



We strongly encourage businesses and consumers to contact your lending institution first. Many lenders are restructuring, delaying payments, etc. to help during this time.

## **Paycheck Protection Program:**

The program will provide cash-flow assistance through 100 percent federally guaranteed loans to employers who maintain their payroll during this emergency. If employers maintain their payroll, the loans would be forgiven, which would help workers remain employed, as well as help small businesses impacted by COVID-19.

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## **What is the Paycheck Protection Program?**

The Paycheck Protection Program offers loan forgiveness of up to 8 weeks of payroll expenses based on employee retention and salary levels, no Small Business Administration fees, and the option to defer repayment for up to one year. Allowable costs for loan forgiveness are; payroll costs, costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums, employee salaries, commissions, or similar compensations (see exclusions below), payments of interest on any mortgage obligation, rent, utilities, interest on any other debt obligations that were incurred before the covered period.

This program is retroactive to February 15, 2020, in order to help bring workers who may have already been laid off back onto payrolls. Loans are available through June 30, 2020.

## **Who is it for?**

Small businesses and other eligible entities will be able to apply if they were harmed by COVID-19 between February 15, 2020 and June 30, 2020.

- Businesses and entities must have been in operation on February 15, 2020.
- Small business concerns, as well as any business concern, a 501(c)(3) nonprofit organization, a 501(c)(19) veterans organization, or Tribal business concern described in section 31(b)(2)(C) that has fewer than 500 employees, or the applicable size standard in number of employees for the North American Industry Classification System (NAICS) industry as provided by SBA, if higher.
- Individuals who operate a sole proprietorship or as an independent contractor and eligible self-employed individuals.
- Any business concern that employs not more than 500 employees per physical location of the business concern and that is assigned a NAICS code beginning with 72, for which the affiliation rules are waived.
- Affiliation rules are also waived for any business concern operating as a franchise that is assigned a franchise identifier code by the Administration, and company that receives funding through a Small Business Investment Company.

## What payroll costs are eligible?

- Compensation (salary, wage, commission, or similar compensation, payment of cash tip or equivalent)
- Payment for vacation, parental, family, medical, or sick leave
- Allowance for dismissal or separation
- Payment required for the provisions of group health care benefits, including insurance premiums
- Payment of any retirement benefit
- Payment of State or local tax assessed on the compensation of employees

## What payroll costs are not eligible?

- Employee/owner compensation over \$100,000
- Taxes imposed or withheld under chapters 21, 22, and 24 of the IRS code
- Compensation of employees whose principal place of residence is outside of the U.S.
- Qualified sick and family leave for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response

## How much can I borrow?

The loan size will be calculated in different ways, however the maximum loan size is \$10 million.

- If you were in business February 15, 2019 – June 30, 2019: Your max loan is equal to 250 percent of your average monthly payroll costs during that time period. If your business employs seasonal workers, you can opt to choose March 1, 2019 as your time period start date.
- If you were not in business between February 15, 2019 – June 30, 2019: Your max loan is equal to 250 percent of your average monthly payroll costs between January 1, 2020 and February 29, 2020.
- If you took out an Economic Injury Disaster Loan (EIDL) between February 15, 2020 and June 30, 2020 and you want to refinance that loan into a PPP loan, you would add the outstanding loan amount to the payroll sum.

## What are the loan terms?

For any amounts not forgiven, the maximum term is 10 years, the maximum interest rate is 4 percent, zero loan fees, zero prepayment fee (SBA will establish application fees caps for lenders that charge).

## How do apply for loan forgiveness?

You must apply through your lender for forgiveness on your loan. In your application you will need to include: documentation verifying the number of employees on payroll and pay rates, including IRS payroll tax filings and state income, payroll and unemployment insurance filings, documentation verifying payments on covered mortgage obligations, lease obligations, and utilities, and certification from a representative of your business or organization that is authorized to certify that the documentation provided is true and that the amount that is being forgiven was used in accordance with the program's guidelines for use.

## What do I do after the forgiveness period?

Loan amounts that not forgiven are carried forward as an ongoing loan with max terms of 10 years, at a maximum interest rate of 4%. Principal and interest will continue to be deferred, for a total of 6 months to a year after disbursement of the loan.

## **Where should I go to get a Paycheck Protection Program Loan?**

All current SBA 7(a) lenders are eligible lenders for this loan program.

## **How does the Paycheck Protection Program loan work with the temporary Emergency Economic Injury Grants and the Small Business Debt Relief program?**

Recipients of the Emergency Economic Injury Grant and Economic Injury Disaster Loan (EIDL) and those who receive loan payment relief through the Small Business Debt Relief Program may apply for and take out a Paycheck Protection Program loan as long as there is no duplication in the uses of funds.

## **Still have questions?**

We are happy to field questions through Business Answers at **1-800-872-3838** or via email at [business.answers@maine.gov](mailto:business.answers@maine.gov).

