The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and the Paycheck Protection Program

Information on Federal Assistance for Small and Mid-Size Carriers

A Publication of the American Trucking Associations’ National Accounting & Finance Council
ATA's National Accounting & Finance Council is a council within the American Trucking Associations (ATA), the largest national trade association for the trucking industry. We create value for our members through education, research, professional interaction and technical assistance regarding finance, accounting, tax, and risk management issues impacting the trucking industry. We advocate on behalf of our members in Washington, D.C. and develop industry best practices where appropriate.

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The CARES Act is “Phase 3” of emergency COVID-19 relief legislation passed to help address the public health and economic crisis caused by the spread of the coronavirus disease. The legislation provides critical assistance to small and mid-size motor carriers in maintaining their payrolls and other operating costs during the economic downturn resulting from efforts to contain the pandemic. The CARES Act provides $350 billion for the Small Business Administration (SBA) to provide loans to small businesses. The SBA’s Paycheck Protection Program provides liquidity to businesses in the form of loans which are partially or fully forgivable.

### Paycheck Protection Program

**Who is eligible for this loan program?**

The following entities are eligible, provided they have 500 or fewer employees:

- Small businesses
- Sole proprietors
- Independent contractors
- Employee stock ownership plans (ESOPs)
- 501(c)3 nonprofits

Owner operators and other independent contractors are not included in the employee count. The 500 employee threshold includes full and part-time employees.

Unlike other SBA standards, this program does not rely on average annual receipts. The number of employees serves to define who qualifies as a small business.

### What can the loans pay for?

These loans can be applied retroactively to cover expenses incurred after February 15, 2020 and can be used for operating expenses incurred during the COVID-19 outbreak, including:

- Payroll expenses
  - Wages paid to employees
  - Paid time off (sick leave, parental, etc.)
  - Severance pay
  - Health insurance premiums
  - Retirement benefits
  - Payroll taxes
- Rent
- Mortgage interest payments (but not principal payments or prepayment of interest)
- Interest paid on debt obligations incurred before February 15, 2020 (such as interest on trucks and trailer loans)
- Utilities (electricity, gas, water, transportation, telephone, internet)

### What can the loans not be used for?

- 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 Act
- Mortgage principal payments or prepayment of interest
How much of a loan can I receive?

The maximum loan amount is $10 million. Loans are designed to cover two and a half months of payroll and expenses, with up to eight weeks of expenses eligible to be forgiven. Your maximum loan amount is equal to 250% of your average monthly payroll costs.

Determine your average monthly payments during the last year period before the loan is issued and multiply by 2.5 to find your maximum loan amount. For example, if your monthly payroll costs is $100,000, you can request a loan of up to $250,000.

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 Paycheck Protection Program loan, you may be able to add the outstanding loan amount to the payroll sum. Applicants should seek the guidance of their SBA lender for more details on this process.

How do I qualify for a loan?

If your business has 500 or fewer employees, was operational on February 15, 2020, had employees for whom it paid salaries and payroll taxes, and has been impacted by COVID-19, then you are likely eligible for a loan. You must make a good faith certification that you have been impacted by COVID-19 and will use the funds to retain workers and maintain payroll and other debt obligations.

Unlike other SBA loans, you are not required to prove you cannot receive credit elsewhere in order to receive funds provided under this program. Typical collateral and personal guarantee requirements are also waived under this program.

What are the terms of the loan?

There are no borrower or lender fees for participation. Loan amounts not forgiven at the end of one year shall be carried forward as an ongoing loan with terms of a max of 2 years, at max 1% interest. Terms will be as for other SBA §7(A) loans, but with no personal guarantees.

How is the forgiveness amount calculated?

The Total Eligible Forgiveness Amount is equal to the total costs incurred and payments made during the eight weeks following the issuance of the loan for payroll (including benefits and taxes), utilities, mortgage interest and/or rent on a lease, as long as these costs were already in place before February 15, 2020. Notably, eligible payroll costs does not include compensation in excess of $100,000 for each employee. Due to likely high subscription, at least 75% of the forgiven amount must have been used for payroll.

The forgiven portion of this loan will not be included in the borrower's taxable income.
What if I have to lay off employees or reduce their wages?

The loan forgiveness amount available to a borrower will be reduced if the borrower terminates employees or reduces employee wages by more than 25% of their prior year compensation during the eight week period following issuance of the loan. Furloughs serve as a wage reduction and would be penalized if they reduced an employee’s wages by more than 25% compared to their previous year’s compensation.

If layoffs or salary reductions were made between February 15, 2020 and April 26, 2020, borrowers will not be penalized if the borrower rehires employees or makes up for wage reductions by June 30, 2020.

When will I have to make payments?

There is complete deferment of loan payments for up to one year. However, if you expect to have your loan forgiven, this loan effectively acts as a grant program. Any loan amounts not forgiven are carried forward as an ongoing loan with maximum terms of 2 years, at a maximum interest rate of 1%. Principal and interest will continue to be deferred, for a total of six months to a year after disbursement of the loan.

How do I apply?

Borrowers do not apply directly to the Small Business Administration, rather they should apply to authorized banks, credit unions and select other lenders. The lender will have 60 days to make a decision.

All current SBA 7(a) lenders eligible lenders for PPP. The Department of Treasury will also be in charge of authorizing new lenders, including nonbank lenders, to help meet the needs of small business owners.

Lenders may begin processing loan applications as soon as April 3, 2020.

What will I need in the application process?

- Documentation verifying employment and payroll costs
- Documentation verifying mortgage interest payments, rent payments, and utility payments
- Certifications from authorized representative that all information presented is true and correct and the amount of forgiveness requested
- Verification that you do not have another pending SBA loan application to be used for the same purpose and no that proceeds have or will be received from such a loan
- Certification that, to the extent feasible, you will purchase only American-made equipment and products
- An application provided by the SBA is available at this link

For more information about the Paycheck Protection Program, talk to your lender or visit the SBA’s website: https://www.sba.gov/funding-programs/loans/paycheck-protection-program