



Coronavirus Aid, Relief, and Economic Security (CARES) Act¹ **About The Paycheck Protection Program**

SUMMARY: CARES creates a “Paycheck Protection Program” for small employers, self-employed individuals, and “gig economy” workers, with \$350 billion to help prevent workers from losing their jobs and small businesses from going under due to economic losses caused by the COVID-19 pandemic. The Program provides eight (8) weeks of cash-flow assistance through 100 percent federally guaranteed loans to small employers who maintain their payroll during this emergency. If the employer maintains payroll, the portion of the loans used for covered payroll costs, interest on mortgage obligations, rent, and utilities can be forgiven, which would help workers to remain employed and affected small businesses and our economy to recover quickly from this crisis. This proposal would be retroactive to February 15, 2020, to help bring workers who may have already been laid off back onto payrolls.

QUALIFICATIONS: The Small Business Administration currently has a loan program for small businesses called the 7(a) Loan program. To qualify, on average in the last three years, a business must have less than 500 employees and bring in less than \$7.5 million in revenue. Additional qualifications can be found [here](#). The Small Business Interruption Loan program will be conducted as part of the 7(a) Loan program, with the same qualifications for businesses—*however, non-profit organizations (501(c)3, veteran, and tribal organizations) may also qualify for the Paycheck Protection Program.*

LOANS: Loans of up to \$10 million can be taken and used for a wide array of expenses including payroll support, mortgage payments, and other debt obligations. These loans do not have borrower or lender fees, and they are *100 percent government guaranteed*. Loan repayment is deferred for up to one year.

FORGIVENESS: *All Paycheck Protection Loans are eligible for forgiveness* in an amount equal to the payroll cost and costs related to debt obligations for the period of February 15, 2020 through June 30, 2020. The amount forgiven will be reduced proportionally by any reduction in employees retained compared to the prior year and reduced by the reduction in pay of any employee beyond 25 percent of their prior year compensation. To encourage employers to rehire any employees who have already been laid off due to the COVID-19 crisis, borrowers that re-hire workers previously laid off will not be penalized for having a reduced payroll at the beginning of the period.

TIMELINESS: CARES requires that SBA enact these programs with regulations no later than 15 days after enactment.

This document was prepared as an informational resource and should not be considered legal or business counsel. Please reach out to CoronavirusHelp@braun.senate.gov for questions, concerns, or additional assistance. Last updated March 27, 2020.

¹ [H.R.748](#), the *Coronavirus Aid, Relief, and Economic Security (CARES) Act* was approved unanimously by the Senate on March 25, 2020.