



U.S. Small Business
Administration



Paycheck Protection Program (PPP)

How childcare businesses, both licensed and in home providers, can take advantage of the PPP program.

Darcy Carter District Director

Susan Mazza Deputy District Director

Vermont District Office

February 8, 2021

PPP Loans for Childcare Businesses

What's in it for you

The Paycheck Protection Program is a loan designed to provide a direct incentive for small businesses to keep their workers on payroll.

First Draw PPP Loans can be used to help fund payroll costs, including benefits, and may also be used to pay for mortgage interest, rent, utilities, worker protection costs related to COVID-19, uninsured property damage costs caused by looting or vandalism during 2020, and certain supplier costs and expenses for operations.

SBA will forgive loans if all employee retention criteria are met, the funds are used for eligible expenses, and at least 60% of the forgiveness amount is supported by eligible payroll costs.

PPP Loans for Childcare Businesses

PPP Loan Terms

- Loan amount is calculated based on 2.5 times average monthly payroll costs.
- Maximum loan amount \$10 million.
- Interest rate 1%
- Loan payments will be deferred for borrowers who apply for loan forgiveness until SBA remits the borrower's loan forgiveness amount to the lender. If a borrower does not apply for loan forgiveness, payments are deferred 10 months after the end of the covered period for the borrower's loan forgiveness (between 8 and 24 weeks).
- No collateral or personal guarantees are required.
- Neither the government nor lenders will charge small businesses any fees
- 100% SBA guarantee
- Loans are obtained through authorized SBA PPP lenders

PPP Loans for Childcare Businesses

Eligible Uses of Funds

- Payroll Costs
- Interest on mortgage obligations
- Rent or lease payments
- Utility Payments
- Operations Expenditures
- Property Damage Costs
- Supplier Costs
- Worker Protection Expenditures

Forgiveness Criteria

- Payroll costs must account for at least 60% of the total PPP forgiveness amount or the amount of forgiveness will be reduced
- Salary/Wage Reduction can be no more than 25% during the Covered Period or the amount of forgiveness will be reduced (certain exemptions/safe harbors may apply)
- Borrower must maintain the average number of full-time equivalent (FTE) employees during the Covered Period or the amount of forgiveness will be reduced (certain exemptions/safe harbors may apply)

PPP Loans for Childcare Businesses

How do these work?

- Apply through a PPP lender. The bank or credit union you normally do business with would be a good bet. There are other sources as well. VCLF.org and VEDA.org for example are offering to consider very small loans from non-customers here in Vermont.
- The lender will review the application, and then submit it to SBA through a special PPP Portal for consideration.
- Once a loan is approved, a guarantee number is generated, and the lender has 10 business days to close the loan. Disbursement will occur all at one time.
- The loan application process is very fast ... typically within a few days after the lender inputs the request an approval will be generated. SBA process does include basic edits and verification checks before the loan can be approved.

PPP Loans for Childcare Businesses

How do these work?

- You will have anywhere from 8 to 24 weeks after the day you close to use the funds for the eligible purposes, maintain FTE and employee compensation levels. This time period is referred to as the “Covered Period”.
- Once the funds are used, you may apply for Forgiveness.
- Lenders will service the loan, they will process the forgiveness application, and they will continue to service the loan in terms of repayment for any remaining balance after forgiveness.

PPP Loans for Childcare Businesses

What is the application process?

What does an applicant need to do?

- Gather payroll information that will document numbers of employees and dollars, as well as additional costs related to payroll. Calculate the payroll costs as the law requires and provide documentation to lender to support your claim.
- Complete Borrower application form, including providing additional information as necessary which may include affiliate information
- Certify the form as to its accuracy and that of the information provided to the lender.
- Provide additional information to lender if required.

You must submit documentation sufficient to establish eligibility and to demonstrate the qualifying payroll amount, which may include, as applicable, payroll records, payroll tax filings, Form 1099-MISC, Schedule C or F, income and expenses from a sole proprietorship, or bank records.

PPP Loans for Childcare Businesses

Can Child Care businesses apply?

Child Care businesses are generally eligible – For profit, Not for Profit 501(c)(3). (However, if you are a sole proprietor with no employees, using a Schedule C, and your net profit is zero or below, you are ineligible.)

Eligible small entities, that together with their affiliates (if applicable), have 500 or fewer employees—including nonprofits, veterans organizations, tribal concerns, self-employed individuals, sole proprietorships, and independent contractors—can apply. **Entities with more than 500 employees in certain industries that meet SBA’s alternative size standard or SBA’s size standards for those particular industries can also apply.**

What if your business is a franchise? Affiliate requirements are waived for businesses that operate as a franchise that is assigned a SBA franchise identifier code, and the franchise receives funding through a SBIC.

You must have been in operation as of February 15, 2020

You **are not** permanently closed.

PPP Loans for Childcare Businesses

What could make me ineligible?

- You are engaged in any activity that is illegal under Federal, state, or local law;
- You are a household employer (individuals who employ household employees such as nannies or housekeepers);
- An owner of 20 percent or more of the equity of the applicant is presently incarcerated or, for any felony, presently subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction; or has been convicted of, pleaded guilty or nolo contendere to, or commenced any form of parole or probation (including probation before judgment) for, a felony involving fraud, bribery, embezzlement, or a false statement in a loan application or an application for federal financial assistance within the last five years or any other felony within the last year;
- You, or any business owned or controlled by you or any of your owners, has ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is currently delinquent or has defaulted within the last seven years and caused a loss to the government;

PPP Loans for Childcare Businesses

How to Calculate Loan Amount?

The guidance describes payroll costs using calendar year 2019 as the reference period for payroll costs used to calculate loan amounts. However, borrowers are permitted to use payroll costs from **either calendar year 2019 or calendar year 2020** for their First Draw PPP Loan amount calculation. Documentation, including IRS forms, must be supplied for the selected reference period.

The links below will take you to a First Draw Loan Borrower Application, Form 2483 AND a “How to Calculate ... “ document that lays out in detail how borrowers should calculate the loan amount. This document is easy to follow and quite clear.

[Paycheck Protection Program First Draw Borrower Application Form \(revised 01-08-21\)](#)

[How to Calculate First Draw PPP Loan Amounts and What Documentation to Provide - by business type \(01-17-21\)](#)

PPP - Forgiveness Process

- **Payroll costs can include cash compensation and non-cash compensation**

CASH

- salary, wages, commissions, or similar compensation
- cash tips or the equivalent (based on employer records of past tips or, in the absence of such records, a reasonable, good-faith employer estimate of such tips);
- payment for vacation, parental, family, medical, or sick leave;
- allowance for separation or dismissal;

NON-CASH

- payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement;
- payment of state and local taxes assessed on compensation of employees; and
- for an independent contractor or sole proprietor, wage, commissions, income, or net earnings from self-employment or similar compensation.

- **Eligible Non-Cash Payroll Costs includes insurance premiums on vision and dental, group life, and disability**

Payroll costs must make up at least 60% of the total amount forgiven

PPP - Forgiveness Process

- **Payroll costs that cannot be included:**

- Any compensation of an employee whose principal place of residence is outside of the United States;
- The cash compensation of an individual employee in excess of an annual salary of \$100,000, prorated as necessary
- Federal employment taxes imposed or withheld including the employee's and employer's share of FICA (Federal Insurance Contributions Act) and Railroad Retirement Act taxes, and income taxes required to be withheld from employees
- Qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act (Public Law 116-127).

Question # 16 in the PPP FAQ provides a good explanation and examples regarding #3 and #4 bullets

- Compensation in excess of more than \$100,000 on an annualized basis for employees, independent contractors, or sole proprietors is not allowed

PPP Application – Borrower

Borrower Application Form 2483 for First Draw PPP Loans



Paycheck Protection Program Borrower Application Form Revised January 8, 2021

OMB Control No.: 3245-0407
Expiration Date: 7/31/2021

Check One: <input type="checkbox"/> Sole Proprietor <input type="checkbox"/> Partnership <input type="checkbox"/> C-Corp <input type="checkbox"/> S-Corp <input type="checkbox"/> LLC <input type="checkbox"/> Independent Contractor <input type="checkbox"/> Self-Employed Individual <input type="checkbox"/> 501(c)(3) nonprofit <input type="checkbox"/> 501(c)(6) organization <input type="checkbox"/> 501(c)(19) veterans organization <input type="checkbox"/> Housing cooperative <input type="checkbox"/> Tribal Business <input type="checkbox"/> Other	DBA or Tradename (if applicable)	Year of Establishment (if applicable)
Business Legal Name	NAICS Code	Applicant (including affiliates, if applicable) Meets Size Standard (check one): <input type="checkbox"/> No more than 500 employees (or 300 employees, if applicable) <input type="checkbox"/> SBA industry size standards <input type="checkbox"/> SBA alternative size standard
Business Address (Street, City, State, Zip Code - No P.O. Box addresses allowed)	Business TIN (EIN, SSN)	Business Phone
	Primary Contact	Email Address

Average Monthly Payroll:	\$	x 2.5 + EIDL (Do Not Include Any EIDL Advance) equals Loan Request Amount:	\$	Number of Employees:	
Purpose of the loan (select all that apply):	<input type="checkbox"/> Payroll Costs	<input type="checkbox"/> Rent / Mortgage Interest	<input type="checkbox"/> Utilities	<input type="checkbox"/> Covered Operations Expenditures	
	<input type="checkbox"/> Covered Property Damage	<input type="checkbox"/> Covered Supplier Costs	<input type="checkbox"/> Covered Worker Protection Expenditures	<input type="checkbox"/> Other (explain): _____	

PPP Application - Borrower

Applicant Ownership

List all owners of 20% or more of the equity of the Applicant. Attach a separate sheet if necessary.

Owner Name	Title	Ownership %	TIN (EIN, SSN)	Address

If questions (1), (2), (5), or (6) are answered "Yes," the loan will not be approved.

Question	Yes	No
1. Is the Applicant or any owner of the Applicant presently suspended, debarred, proposed for debarment, declared ineligible, voluntarily excluded from participation in this transaction by any Federal department or agency, or presently involved in any bankruptcy?		
2. Has the Applicant, any owner of the Applicant, or any business owned or controlled by any of them, ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is (a) currently delinquent, or (b) has defaulted in the last 7 years and caused a loss to the government?		
3. Is the Applicant or any owner of the Applicant an owner of any other business, or have common management (including a management agreement) with any other business? If yes, list all such businesses (including their TINs if available) and describe the relationship on a separate sheet identified as addendum A.		
4. Did the Applicant receive an SBA Economic Injury Disaster Loan between January 31, 2020 and April 3, 2020? If yes, provide details on a separate sheet identified as addendum B.		
5. Is the Applicant (if an individual) or any individual owning 20% or more of the equity of the Applicant presently incarcerated or, for any felony, presently subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction? Initial here to confirm your response to question 5 → _____		
6. Within the last 5 years, for any felony involving fraud, bribery, embezzlement, or a false statement in a loan application or an application for federal financial assistance, or within the last year, for any other felony, has the Applicant (if an individual) or any owner of the Applicant 1) been convicted; 2) pleaded guilty; 3) pleaded nolo contendere; or 4) commenced any form of parole or probation (including probation before judgment)? Initial here to confirm your response to question 6 → _____		
7. Is the United States the principal place of residence for all employees included in the Applicant's payroll calculation above?		
8. Is the Applicant a franchise?		
9. Is the franchise listed in the SBA's Franchise Directory? If yes, enter the SBA Franchise Identifier Code here: _____		

PPP Loans for Childcare Businesses

*I am a sole proprietor, **with no employees.***

How would I calculate my loan amount?

Question: I am self-employed and have no employees, how do I calculate my maximum First Draw PPP Loan amount? (Note that PPP loan forgiveness amounts will depend, in part, on the total amount spent by the borrower during the covered period following disbursement of the PPP loan.)

Answer: The following methodology should be used to calculate the maximum amount that can be borrowed if you are self-employed and have no employees, and your principal place of residence is in the United States, including if you are an independent contractor or operate a sole proprietorship (but not if you are a partner in a partnership):

- **Step 1:** Find your 2019 IRS Form 1040 Schedule C line 31 net profit amount. If this amount is over \$100,000, reduce it to \$100,000. If this amount is zero or less, you are not eligible for a PPP loan.
- **Step 2:** Calculate the average monthly net profit amount (divide the amount from Step 1 by 12).

PPP Loans for Childcare Businesses

*Calculations for Sole Proprietors **with no employees***

- **Step 3:** Multiply the average monthly net profit amount from Step 2 by 2.5.
- **Step 4:** Add the outstanding amount of any Economic Injury Disaster Loan (EIDL) made between January 31, 2020 and April 3, 2020 that you seek to refinance. Do not include the amount of any advance under an EIDL COVID-19 loan (because it does not have to be repaid). **(Irrelevant – Vermont businesses did not receive any EIDL loans during this window)**

Your 2019 IRS Form 1040 Schedule C must be provided to substantiate the applied-for PPP loan amount. You must also provide a 2019 IRS Form 1099-MISC detailing nonemployee compensation received (box 7), IRS Form 1099-K, invoice, bank statement, or book of record establishing you were self-employed in 2019 and a 2020 invoice, bank statement, or book of record establishing you were in operation on February 15, 2020.

PPP Loans for Childcare Businesses

*Calculations for Sole Proprietors **with employees***

Question: I am self-employed and have employees, how do I calculate my maximum First Draw PPP Loan amount (up to \$10 million)? (Note that PPP loan forgiveness amounts will depend, in part, on the total amount spent by the borrower during the covered period following disbursement of the PPP loan.)

Answer: The following methodology should be used to calculate the maximum amount that can be borrowed if you are self-employed with employees, including if you are an independent contractor or operate a sole proprietorship (but not if you are a partner in a partnership):

Step 1: Compute your 2019 payroll costs by adding the following:

- 2019 IRS Form 1040 Schedule C line 31 net profit amount:
 - if this amount is over \$100,000, reduce it to \$100,000,
 - if this amount is less than zero, set this amount at zero;
- 2019 gross wages and tips paid to your employees whose principal place of residence is in the United States, up to \$100,000 per employee, which can be computed using:
 - 2019 IRS Form 941 Taxable Medicare wages & tips (line 5ccolumn 1) from each quarter,
 - Plus any pre-tax employee contributions for health insurance or other fringe benefits excluded from Taxable Medicare wages & tips, and
 - Minus (i) any amount paid to any individual employee in excess of \$100,000, and (ii) any amounts paid to any employee whose principal place of residence is outside the United States;

PPP Loans for Childcare Businesses

*Calculations for Sole Proprietors **with employees***

- 2019 employer contributions for employee group health, life, disability, vision, and dental insurance (the portion of IRS Form 1040 Schedule C line 14 attributable to those contributions);
 - 2019 employer contributions to employee retirement plans (IRS Form 1040 Schedule C line 19); and
 - 2019 employer state and local taxes assessed on employee compensation, primarily state unemployment insurance tax (from state quarterly wage reporting forms).
-
- **Step 2:** Calculate the average monthly payroll costs amount (divide the amount from Step 1 by 12).
 - **Step 3:** Multiply the average monthly payroll costs amount from Step 2 by 2.5.
 - **Step 4:** Add the outstanding amount of any EIDL made between January 31, 2020 and April 3, 2020 that you seek to refinance. Do not include the amount of any advance under an EIDL COVID-19 loan (because it does not have to be repaid). **(Again, irrelevant for Vermont businesses)**

PPP Loans for Childcare Businesses

*Calculations for Sole Proprietors **with employees***

- Your 2019 IRS Form 1040 Schedule C, IRS Form 941 and state quarterly wage unemployment insurance tax reporting form from each quarter (or equivalent payroll processor records or IRS Wage and Tax Statements), along with documentation of any retirement or group health, life, disability, vision, and dental contributions, must be provided to substantiate the applied-for PPP loan amount. A payroll statement or similar documentation from the pay period that covered February 15, 2020 must be provided to establish you were in operation and had employees on that date.

PPP Loans for Childcare Businesses

Second Draw? Is this something to consider?

Who can apply for a Second Draw PPP Loan?

- If you have already had a PPP loan, and you have used all of the funds AND
- You must be 300 employees and less AND
- You need to be able to demonstrate a reduction in receipts of at least 25% from 2019 to 2020

What are the terms of the Second Draw?

- For most businesses, loan amount is calculated based on 2.5 times average monthly payroll
- Maximum of \$2 million
- Same terms as a First Draw and same Forgiveness Criteria

[Paycheck Protection Program Second Draw Borrower Application Form](#) (released 01-08-21)

[Second Draw PPP Loans: How to Calculate Revenue Reduction and Maximum Loan Amounts Including What Documentation to Provide](#) (01-19-21)

PPP Loans for Childcare Businesses

Forgiveness Process

Loan forgiveness. Borrowers of a First and Second Draw PPP loan would be eligible for loan forgiveness equal to the sum of their payroll costs, as well as covered mortgage, rent, and utility payments, covered operations expenditures, covered property damage costs, covered supplier costs, and covered worker protection expenditures incurred during the covered period.

- Loan forgiveness will be reduced in order to ensure that **at least 60%** of the forgiveness amount is supported by payroll costs.
- Forgiveness amount will be reduced if the number of employees (using an Average Full Time Equivalency based on a 40 hour work week) is reduced
- Forgiveness amount will be reduced if the borrower reduces employee's pay rate by more than 25%

The Vermont SBA District Office conducts trainings every week on the forgiveness process. Go to www.sba.gov/vt where the calendar of events can provide detail. Or email susan.mazza@sba.gov

PPP Loans for Childcare Businesses

For more information

Ongoing PPP Forgiveness Webinars

Webinars will be conducted on Tuesdays, 11:30 AM – 1:00 PM EST

The SBA Vermont District Office hosts free webinars from 11:30 a.m. to 1 p.m. Tuesdays about the Paycheck Protection Program forgiveness. Topics include criteria, the process, changes and more. To access the webinar by phone, call 1-202-765-1264 and enter the code 986 011 495#.

For more information, email susan.mazza@sba.gov.

Tuesday Connection 11:30 AM to 1:00 PM EST

Microsoft Teams meeting

[Click here to join the meeting](#) (Right click, open in new tab, open into TEAMS)

Or call in (audio only) - 1 202 765 1264 Phone Conference ID 986911495#

PPP Loans for Childcare Businesses

For more information

PPP First & Second Draw Webinar Wednesdays

The SBA Vermont District Office hosts free webinars from 9 a.m. to 10:30 a.m. Wednesdays about the Paycheck Protection Program First Draw and Second Draw options. What is a PPP loan, terms, eligibility, and the application process. What is the difference between them? What has changed with the Economic Aid Act? Details on both programs will be presented.

Wednesdays at 9:00 AM EST to 10:30 AM EST.

To access the webinar, click [here](#).

To access the webinar by phone, **call 202-765-1264 and enter code 142 718 62#.**

For more information, email susan.mazza@sba.gov.

Assistance

VT has a network of business advisors that you can meet with (virtually) at no cost to discuss if a PPP loan is a good fit for your business, provide guidance on the process of applying, and to help you grow your business:

1. Center for Women and Enterprise (an SBA Women's Business Center)
www.cweonline.org 802-391-4870
2. VT Small Business Development Center (www.vtsbdc.org to request an advisor) 802-728-9101
3. SCORE Vermont, www.scorevermont.org click on request a mentor.
802-728-9101
4. Microbusiness Development Program [Micro Business Development Program \(MBDP\) | Department for Children and Families \(vermont.gov\)](http://www.vermont.gov)

For more PPP information: www.sba.gov/ppp

To find support near you, go to:

<https://www.sba.gov/local-assistance>



Darcy Carter, District Director

Darcy.carter@sba.gov

Susan Mazza, Deputy District Director

Susan.mazza@sba.gov

SBA Vermont District Office

www.sba.gov/vt

https://public.govdelivery.com/accounts/USSBA/subscriber/new?topic_id=USSBA_128