



April 2, 2020

To: PEO Clients of ELM

RE: PPP Loan Application Process

There is a lot of confusion about the process of applying for the Payroll Protection Program (PPP) loan and we wanted to take a minute and see if we can help. Unfortunately, this program was pushed out so quick that it has left more questions than answers. The rush is certainly understandable under the circumstances but please be aware that everyone is dealing with partial information and doing their best to make the best decisions they can in an effort to help. The Banks are no exception to this. They are also working through the process without definitive guidelines to follow.

The biggest issue we are currently seeing is the request for certain tax documents including w-2s, 941s, etc... As a PEO client, all your taxes are paid and filed under ELM's tax identification numbers. The reason this is done is to shift the tax payment and reporting burden from the client to the PEO. This also allows your employees more access to benefits that might not normally be available to them. The PEO industry has been around for nearly 30 years and is licensed by most states including Alabama. It is also a recognized and regulated entity by the DOL, US Treasury, The Internal Revenue Service and the SBA among many others.

The US Treasury in conjunction with the SBA and the National Association of Professional Employer Organizations (NAPEO) is currently working to clear up the confusion surrounding the PPP Loan. It is my understanding that detailed cost reports from the PEO will be sufficient documentation in the loan and forgiveness process. We don't anticipate any issue with this adjustment to the loan process but there is such a logjam going on right now that it is hard to place a time on it. We fully expect further guidance to be issued today.

With all that said, the PPP loan was designed as a quick loan that didn't require much underwriting or red tape. The understanding is that all the due diligence would be done in the forgiveness period. We still feel strongly that remains to be the objective of the loan process but the lack of direction has caused this uncertainty.

ELM's number one objective is to get you all the necessary information that you will need and do nothing that will in any way slow down the loan process. We are available to answer any questions that you might have and welcome any phone calls or emails from your accountant, banker or whomever else is involved in your PPP loan process.

Please have them call me directly @ (251) 470-0700 or by email [joe@elminfo.com](mailto:joe@elminfo.com). I will be here all day today, tomorrow and as long as necessary to make sure ELM's clients are taken care of and receive everything they are due as quickly as possible.

Sincerely,

Joe Collins  
President  
ELM

The State of Florida SBDC has already addressed this issue and attached is a copy of their updated requirements:

# COVID-19 Business Disaster Recovery Assistance

## Paycheck Protection Program (PPP) Loan

Passed by Congress, and signed by the President, the **Coronavirus Aid, Relief, and Economic Security (CARES) Act** established the new **Paycheck Protection Program (PPP)** for eligible small businesses.

Unlike existing federal business disaster loans currently available through the SBA, the Paycheck Protection Program Loans may be, in whole or in part, forgiven, i.e. not required to be repaid, if used loan proceeds are used for specific purposes. It is important that borrowers clearly understand how and when loan proceeds can be used to maximize the amount of loan forgiveness. See the FAQs for more information.

## Loan Application Process

### Step 1. DETERMINE ELIGIBILITY

*To be eligible, the small business must:*

1. have been actively operating on February 15, 2020, and
2. meet the federal small business size standards. To determine, you can access SBA's **Small Business Size Standards Guide**.\*

\* Sole proprietors, independent contractors, gig economy workers, or self-employed individuals are eligible.

\* The CARES Act also waives the strict SBA affiliation rules for this new loan for: (i) businesses with no more than 500 employees that is assigned a NAICS code beginning with 72; (ii) businesses operating as a franchise that is assigned a franchise identifier code by the SBA; and (iii) businesses that receive financial assistance from a company licensed under section 301 of the Small Business Investment Act. Businesses not provided a waiver to the SBA affiliation rules by the CARES Act would need to determine if a waiver under existing law applies.

*If you are eligible, continue to Step 2.*

### Step 2. GATHER REQUIRED DOCUMENTS

Generally, the documents needed to support your application will include:

- 3 Previous Years Business Tax Returns (Signed and Dated)
- 3 Previous Years Personal Tax Returns (Signed and Dated)
- Payroll information: IRS Forms 940, 941, W-3 or 1099 (If you have independent contractors), and/or PEO Detailed Payroll Summary Report  
\*If you are a business where employees get tips and they include in their tips in their W-2's, copies of those W-2's
- 2019 Interim Financial Statements (only if you have not filed your 2019 tax return)
- 2020 Interim Financial Statements (January 2020 – February 2020)
- Business Property Mortgage Statement or Lease Agreement
- Business Property Utility Bills
- SBA Personal Financial Statement
- Actual application (see #3)



*One of the requirements is that the employees must live in the US to be counted toward the payroll expense. I believe there will be a certification that the business owner will need to sign certifying that their employees live in the U.S.*

Contact the lending institution you are using to apply for the loan (see Step 3) to determine the documents that you will be required to gather.

### Step 3. APPLY

You can apply for a **Paycheck Protection Program (PPP) Loan** at any lending institution that is approved to participate in the U.S. Small Business Administration (SBA) 7(a) lending program. Additional lenders and non-traditional lenders will be approved by the Department of Treasury. This could be the bank you already use, or a nearby bank.

We recommend that you contract your primary business banker. If your banker does not participate in the program, they can refer you to a local participating bank. You may also find SBA-approved lenders in your area through SBA's online Lender Match Tool.

***For more information about the U.S. SBA PPP program, [click here](#).***

## NEED ASSISTANCE WITH YOUR APPLICATION?

Our Florida SBDC disaster recovery specialists are available to provide no-cost, one-on-one confidential consulting to help you prepare disaster loan applications and assist with other post-disaster challenges you encounter. Please note that consultations are taking place via phone call or virtual meeting.

***The best and quickest way to receive individual assistance is to contact your local SBDC office.***

Due to the widespread impact COVID-19 has created, we are receiving an extraordinarily high volume of inquiries and doing our best to provide the highest level of personalized service to every request received. If you get voicemail, please leave a message and be patient with us as we work through our backlog and respond to your request for assistance. We appreciate your understanding and will do everything we can to assist your business during these unprecedented times.



*"Very helpful. We got help very fast."*

*- Marco Fran, Owner - I-Tech Personnel Services, Inc.*

[Read Full Story](#)