

Federal Assistance for Child Care Providers:

Small Business Loans and Tax Credits

Frequently Asked Questions



ACNJ conducted a [survey](#) to evaluate the impact the COVID-19 pandemic has had on the child care community to date. To address the concerns raised, we held [multiple Q&As](#) with leading authorities to help navigate the resources available to the child care community. Here is a list of questions from the surveys and Q&As, as well as emails, conversations with members in the community and information found on the [New Jersey Child Care for COVID-19 website](#)

Child care programs currently have two loan options available to them under the recent Federal CARES Act:

1. Payroll Protection Program

The Payroll Protection Program (PPP) [Fact Sheet](#) provides forgivable loans to small businesses (including non-profits) so that they can continue to pay their employees and other business costs during the COVID-19 crisis.

To be eligible for loan forgiveness, providers benefiting from the PPP are required to use the proceeds to pay and maintain payroll costs, and most mortgage interest, rent and utility costs over the eight-week period after the loans were made. At least 75% of the forgiven amount of the loan must be used for payroll.

The amount of loan forgiveness is based on the full-time staff headcount. Should fewer employees be working during that eight-week period or salaries/wages are reduced, then the loan forgiveness will also be reduced. The loan has a maturity of 2 years and an interest rate of 1%. Loan payments will be deferred for six months.

More information on the PPP can be found:

- <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program-ppp>
- Turrell Fund Summary

2. Economic Injury Disaster Loan

The Economic Injury Disaster Loan (EIDL) <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/economic-injury-disaster-loan-emergency-advance>

is available for any small business with less than 500 employees (including sole proprietorships, independent contractors and self-employed persons), private non-profit organization or 501(c)(19) veterans organizations that have been affected by COVID-19.

Small businesses can apply for this loan up to \$2 million and can receive a loan advance of up to \$10,000 of economic relief to businesses that are currently experiencing temporary difficulties due to COVID. The loan advance will not have to be repaid and the funds will be made available within days of a successful submission of an application. The remaining loan funds must be repaid but a personal guarantee is not required if you do not borrow more than \$200,000.

Frequently Asked Questions about the Payroll Protection Program (PPP) and the Economic Injury Disaster Loan (EIDL)

1. Who is eligible to apply for the PPP and the EIDL?

Small businesses, including certain eligible nonprofit entities, for-profit, and self-employed businesses with fewer than 500 employees are eligible to apply.

2. Are family child care providers eligible to apply for either the PPP or EIDL loans?

Yes, sole proprietors, independent contractors, and self-employed persons are eligible to apply for both loans.

3. Where can I apply for the loans?

PPP: An applicant must apply through an eligible lender or bank. A current list of lenders can be found

here: <https://www.sba.gov/paycheckprotection/find>
Currently, TD bank, PNC bank, Kearny Bank and Spencer Savings Bank will process applications even if an applicant does not have an account with them. If an applicant learns of other banks that accept applications from non-account holders, please contact pcanning@acnj.org. However, applicants should start their search with the bank in which they do business. If the home bank is not accepting applications, the prospective applicant should ask their bank for recommendations or contact the above-named banks. The PPP application form should be submitted to an eligible lender: <https://www.sba.gov/document/sba-form--paycheck-protection-program-borrower-application-form>

EIDL: The EIDL application is submitted directly to the Small Business Administration (SBA) here: <https://covid19relief.sba.gov/#/>

4. Can I apply for both loans?

An applicant can apply for both the EIDL and PPP loans. If an applicant receives both, the amount of the EIDL loan will be rolled into the PPP loan.

5. What information will I need to apply for the loans?

PPP: The information needed to apply for the PPP may differ depending on the lending institution. Reviewing the above link to the PPP application will help determine the specific information required. Each lender will advise as to whether any additional information is required.

EIDL: The information required for the EIDL must be completed in one sitting, as information cannot be saved on the website. The website indicates to allow at least two hours to complete the application. The application should be reviewed beforehand so that the applicant has all the necessary information at-hand needed to complete it.

6. How long do I have to apply for the loan?

PPP: The PPP loan application will be available until June 30th but it is first come, first serve until there is no longer funding available.

The EIDL will be available until all funds are depleted and it is also, first come, first serve.

7. When will I find out if I have received the loan?

PPP: Banks participating in the PPP have 10 days to disburse the loan proceeds once the loan is approved. The bank may opt to disburse a portion of the loan and ask for an account of how the money is being spent before disbursing the remaining funds. Applicants should talk with their banks to determine how the funds will be made available.

EIDL: The EIDL loan advance is automatically deposited into an applicant's account three days after the application has been processed. However, due to the overwhelming response rate, the timing is no longer guaranteed. The balance will be dispersed based on individual circumstances.

Do the loans cover property, accident, general liability and workman's compensation insurance?

PPP: In order for the PPP loan to be forgiven, it must cover 75% of payroll expenses and expenses related to payroll such as associated healthcare insurance and 25% of other business operating expenses. Legislative language (<https://assets.documentcloud.org/documents/6819239/FINAL-FINAL-CARES-ACT.pdf>, page 11) clearly says that "payment required for the provisions of group health care benefits, including insurance premiums;" are included in payroll costs. For an explanation, the *Wall Street Journal* notes, "What are payroll costs?" Payroll costs include what you would think: salary, wages, commissions, or similar compensation, as well as tips, for employees in the United States. It also includes payment for leave (including vacation, parental, family, medical, or sick leave but not those that you get a credit for under the Families First Coronavirus Relief Act); severance packages; employee group health care benefits; and state and local taxes on compensation. If you are an independent contractor or sole proprietor, it refers to your wage, commissions, income, or net earnings."

EIDL: The EIDL loan covers general support such as equipment costs/leases and any other costs associated with business continuance.

Frequently Asked Questions about the Payroll Protection Program (PPP)

1. What period should I use to calculate the payroll average for the PPP?

The PPP payroll cost calculation will depend on the lender. Most banks are requesting the average payroll information for a 12-month period, either the calendar year 2019 or the immediate 12-month period prior to applying for the loan. Applicants should check with their lender to determine which payroll cost calculation they prefer. If a business is new or seasonal, special calculations will need to be made.

2. When will a PPP loan be forgiven?

A PPP loan will be forgiven if:

1. 75% of the loan is used for payroll expenses; **and**
2. If employees are kept on payroll for eight weeks (up to June 30th)

3. If all or part of my loan is not forgiven, what is the interest rate and when will I have to pay it back?

The PPP loan must be paid back within two years and there is an interest rate of 1%. Loan payments will be deferred for six months and there is not a prepayment penalty.

4. If I laid off my staff, can I still apply for the PPP?

Yes, applicants can apply for the PPP if staff have been laid off, but they must be rehired in order for the loan to be forgiven.

5. If I kept one employee and the others are on unemployment insurance can I use the PPP loan to continue to pay for me and other expenses, like rent and other building bills?

Loan applicants can use the PPP loan proceeds for their staffs and themselves on payroll, healthcare costs, pension benefits as well as utility costs, rent expenses and mortgage interest on business mortgages. After receiving the loan, if the full staff is not rehired prior to the eight-week period, or staff salaries have decreased more than 25%, the full loan will not be forgiven.

6. What happens if I cannot rehire all of my employees?

The PPP loan will be reassessed at the new payroll rate and the loan recipient will be responsible for the balance of the loan if the number of employees rehired are fewer than the amount stated in the application.

7. What if I am not able to keep all of my employees on payroll for eight weeks? (Ex. Worker(s) quit, employee becomes sick, etc.)

Each employer is reassessed at the new percentage and will be responsible for paying back the difference, if the new rate is less than the original rate in the application.

8. What happens after the eight weeks? Can my employees go back on unemployment and will that jeopardize the loan forgiveness?

The PPP is an eight week spending program. If employees are paid during those eight weeks, employees are eligible again after the eight weeks for unemployment unless the PPP is modified.

9. What if it takes me longer than eight weeks to use the loan?

The remains of the loan, after the eight weeks, will need to be repaid.

10. If my child care program is currently closed, can I apply for the PPP?

Yes, all child care programs that closed either before or after the state mandate can apply for the PPP. For the loan to be forgiven it must be used to continue to pay staff, utilities, rent, or mortgage interest during the eight week period.

11. Can I use the loan to pay for health benefits for my employees?

Yes, associated health benefits may be covered with funds from the PPP.

12. Can you use the loan to pay for health insurance that is not a group insurance plan?

Yes, if it is business related.

There are also two Payroll Tax Relief Programs that child care providers are eligible for:

Payroll Tax Deferral

The CARES Act allows all employers to defer payment of employer Social Security taxes that are otherwise owed for wage payments made after March 12, 2020, and through the end of the calendar year. Instead of depositing these taxes on a next-day or semi-weekly basis, the deposit due date for 50% of the taxes is deferred to December 31, 2021, with the remaining 50% deferred until December 31, 2022.

Child Care Providers should work with their payroll provider, payroll departments or payroll software to consider deferring these employer Social Security taxes. The only exception is if you are applying for the Small Business Administration (SBA) loans under the CARES Act. However, you are eligible for the deferrals until you receive the loan forgiveness.

Employee Retention Credit

See the [Treasury Department](#) for updated information.

This federal tax credit is designed to encourage businesses to retain their employees by providing the employer with a refundable tax credit that covers 50 percent of up to \$10,000 in wages for businesses that have been affected by COVID-19. The credit is available to all employers, regardless of the business size, unless they receive a Payroll Protection Program loan.

An employer's initial eligibility is triggered if either of the two COVID-19 economic hardships arise within a calendar quarter for 2020:

- The employers' operations are partially or fully suspended due to a governmental order; or
- The employer experiences a significant decline in gross receipts such as below 50% of comparable quarter in 2019.