

## Pandemic Unemployment Emergency Compensation vs. Payroll Protection Program Loan

Lenders nationwide have seen a large influx of **Payroll Protection Program** loan applications. As you may have seen in media reports, there has been a large amount of confusion on the best path for self-employed individuals or independent contractors.

Last Friday, the Department of Labor released rules for the **Pandemic Unemployment Emergency Compensation (PUEC)**. This program is unemployment compensation that does not need repaid under any scenario. The purpose of our message today is to make sure applicants of the SBA PPP loan program are aware of the various options, so you can pursue the best options for your exact situation. In many cases, the cash benefits and lack of repayment in the PUEC vs. the SBA PPP loan program will result in the self-employed borrowers and independent contractors gaining better access to federal benefits under the newly enacted unemployment benefits. Exact circumstances vary person-to-person and Service 1st Federal Credit Union is unable to provide legal or accounting advice for your particular scenario.

- **PUEC:** Independent contractors and self-employed individuals who normally can't receive unemployment compensation can now receive 26 weeks of normal unemployment compensation AND an additional \$600 per week through July 31, 2020.
  - Example: The maximum PA unemployment compensation benefit is \$580/week+\$600 bonus for 16 weeks=\$18,880
  - Unemployment benefits are administered through the state agency and not the Small Business Administration (SBA), federal government, or any lenders. Members would need to apply direct through the state agency for unemployment programs.
- **PPP Loan:** This is a loan product based on 2.5 months of normal payroll/income that may be able to be forgiven based on returning to work and properly documenting expenses.
  - Funds can only be used for business purposes and 75% or more of the potential loan forgiveness is based on W-2 employees returning to work.
  - For the portion of loan not forgiven, it will be repaid over a two-year term.
  - If you receive a PPP loan you cannot receive PUEC benefits simultaneously. An easy way to think about it is you can't be unemployed and operating a business at the same time and receive assistance for both scenarios.
  - Businesses without employees are eligible for the 2019 net income divided by 12 and then multiplying your average monthly income by 2.5. 2019 Form 1040 Schedule C needs to be submitted with your PPP loan application.

As a credit union, we want our members to receive the maximum possible benefits you are entitled to during this difficult time. If a business acquires a PPP loan when you could have received similar or greater benefits through unemployment programs, you may end up with a loan that is largely unforgiven later in the year instead of the unemployment benefit which can be spent freely on personal or business needs. We encourage you to investigate both programs thoroughly now that the unemployment compensation program is available at the state level.