

SBA Clarifies \$100,000 Compensation Limit for Payroll Costs For Paycheck Protection Program

by Daniel R. Kelly - Friday, April 10, 2020



The Small Business Association (SBA) released a new [FAQ](#) on April 7, 2020 that clarifies certain questions that borrowers have been debating regarding the new Paycheck Protection Program (“PPP”).

Businesses thinking of utilizing this program are encouraged to review the FAQ in its entirety, but perhaps the most impactful clarification has to do with the \$100,000 compensation limitation when calculating payroll costs. As everyone reading this knows by now, the CARES Act put a cap on individual compensation that could be included in payroll costs when determining the maximum amount that a borrower is eligible to receive. The language of the CARES Act itself led to multiple interpretations, but now the SBA has settled this in a way that will benefit small businesses trying to utilize this program.

The FAQ states definitively that the \$100,000 limit on individual employee compensation used to calculate the maximum eligible loan size under the PPP only applies to “cash compensation,” e.g. salary and wages. This is obviously a significant development, in that businesses may now exceed the \$100,000 individual employee compensation limit when calculating their payroll costs if they include non-cash benefits. The FAQ expressly references employer contributions to retirement plans, group health care plans, and state and local taxes on compensation as non-cash benefits to which the \$100,000 limitation does not apply.

We will continue to update you as additional guidance continues to be issued.

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