

We are here to assist

On December 27, the President signed the Coronavirus stimulus package. While this is great news for small businesses, we will only be able to start taking applications after the Small Business Administration issues guidance on the program.

You will want to start collecting records of payroll level and revenues in 2019 and 2020 which will likely be requested for PPP loan eligibility.

Such records can include:

- For Initial Draw applicants, payroll tax filings such as 941, 940/944, Schedule C, or payroll process records, as well as bank statements or bank connections, and/or other documents pending SBA guidance.
- For Second Draw applicants, we are still awaiting SBA guidance.

New Coronavirus stimulus package commits \$284.5B to small businesses	
<i>The pandemic continues to impact small businesses, the PPP has been reopened to provide an additional \$284.5B in relief, allowing for initial and second draws, and simplified loan forgiveness for loans under \$150K.</i>	
<u>Timeline</u>	<ul style="list-style-type: none"> • Per the bill, the SBA has ten days to issue regulations after the signing date (December 27, 2020). The SBA may also determine the date that it will begin accepting applications from lenders.
<u>Basic Two-Prong Structure</u>	<ul style="list-style-type: none"> • Second Draw PPP Loan: Small businesses that received a PPP loan under the first PPP program may be eligible for a second loan. • Initial Draw PPP Loan: Small businesses that did not receive a loan under the first PPP program may be eligible for a loan under this new round.
<u>Amount</u>	<p style="text-align: center;">\$284.5B</p> <ul style="list-style-type: none"> • Some portions are earmarked (i.e., these are amounts the SBA will hold in reserve, and are not limits): • \$15B for SMBs with 10 or fewer employees or loans of less than \$250k in low-income areas • \$25B for Second Draw PPP Loans for businesses with 10 or fewer employees or loans of less than \$250k in low-income areas • \$35B for Initial Draw PPP Loans
<u>Eligible Borrowers</u>	<ul style="list-style-type: none"> • Businesses, some nonprofit organizations, self-employed workers and independent contractors are among those eligible. • Existing PPP borrowers may apply for a second loan, provided they have 300 or fewer employees and can demonstrate they experienced a 25% reduction in gross receipts during a quarter in 2020 compared with the same quarter in 2019. • Additional eligible borrowers include: <ul style="list-style-type: none"> ◦ Housing co-ops with no more than 300 employees ◦ Certain broadcast and news organizations ◦ 501(c)(6) nonprofits and “destination marketing organizations” that generally do not engage in lobbying and have fewer than 300 employees
<u>New Ineligible Businesses and Others (Initial Draw)</u>	<p><u>Ineligible:</u></p> <ul style="list-style-type: none"> • Businesses not in operation as of February 15, 2020 • Businesses that received grants under the new “live venue” program • Publicly traded companies • The President, Vice President, heads of executive departments, Members of Congress, and their spouses
<u>Second Draw Eligibility</u>	<p><u>Must:</u></p> <ul style="list-style-type: none"> • Use First Draw funds before applying for a Second Draw • Have no more than 300 employees • Be in operation as of February 15, 2020 • 25% or more drop in gross revenue <p><u>Note:</u> Currently, there are no restrictions on deciding to work with a different lender for the Second Draw.</p>

<u>Second Draw Ineligibility</u>	<p><u>Who is not eligible:</u></p> <ul style="list-style-type: none"> • Lobbying organizations • Entities affiliated with China or Hong Kong • Anyone representing a foreign government • Businesses that receive grants under the new “live venue” program • Businesses with multiple locations and over 300 employees per location
<u>Second Draw Amount</u>	<p><u>Amount of second draw = 2.5x average monthly 2019 payroll (3.5x for food services).</u></p> <ul style="list-style-type: none"> • Hard cap at \$2M • Can only get one Second Draw
<u>Expenses That Count As “Payroll”</u>	<p><u>“Payroll Costs” means:</u></p> <p>Sum of payments to employees that are:</p> <ul style="list-style-type: none"> ○ A salary, wage, commission ○ Tips, Vacation, parental, family, medical or sick pay ○ Allowance for dismissal or separation ○ Payment for group health care benefits, including insurance premiums ○ Payment of retirement benefits ○ Payment of state or local tax on employee compensation (e.g., payroll tax) <p>New expenses that count as payroll include employer-provided group insurance benefits (life, disability, vision, and dental)</p>
<u>New definition for seasonal employers</u>	<p>The new bill defines a seasonal employer to be an eligible recipient which: (1) operates for no more than seven months in a year, or (2) earned no more than 1/3 of its receipts in any six months in the prior calendar and this definition applies to any loan made before, on or after enactment including the forgiveness of the loan.</p>
<u>Increase in Loan Requests</u>	<p>Borrowers who returned some or all of their original PPP loan can re-apply.</p> <p>Borrowers whose loan amounts have changed because of new rules can work with their lenders to get the additional amount.</p>
<u>Live Venue Grants</u>	<p>SBA can provide grants to live venues. Recipients can’t participate in PPP.</p>
<u>Interest</u>	<p>Interest on PPP is non-compounding</p>
Updates to PPP Loan Forgiveness	
<u>Forgiveness Eligible Expenses</u>	<p><u>Expanded to include:</u></p> <ul style="list-style-type: none"> • New “covered operations” like software, cloud computing and similar operating expenses • Certain property damage-essential supplier costs • Worker protections • Eligible “Payroll” expenses are expanded to include group insurance (life, disability, vision, and dental) • Allows existing loans to use the new expenses for forgiveness
<u>Covered Period (For Forgivable Expenses)</u>	<p>The Covered Period for the previous PPP round was 8 or 24 weeks. Now the Covered Period for all loans (including those made before this new law) can be 8 weeks, 24 weeks, or anywhere in between, but no later than March 31, 2021.</p>
<u>Sub-\$150k Borrowers Simplified Form</u>	<p><u>Simplified, one-page certification that only requires:</u></p> <ol style="list-style-type: none"> 1. Description of employees they retained because of PPP 2. Estimated amount of PPP spent on payroll 3. Total amount of their PPP loan The SBA has 24 days to issue a new form.
<u>Second Draw</u>	<p>Forgiven in the same manner as first draw.</p>
<u>EIDL Reductions</u>	<p>EIDL advances will no longer reduce the amount by which a borrower has its PPP loan forgiven. SBA will issue rules for borrowers who already received forgiveness.</p>
<u>Tax Implications</u>	<p>Any expenses you use to apply for forgiveness are now also tax-deductible.</p>