

PPP2

What You Need to Know Now

January 15, 2012

Timeline

- 12/27 \$900 Billion Stimulus Act signed into law
- 1/6 Two major Interim Final Rules issued
- 1/8 Second draw application issued
- 1/11 First draw PPP loans through community institutions
- 1/13 Second draw PPP loans through community financial institutions
- 1/15 First and second draw loans through lending institutions with less \$1 billion or less in assets
- 1/19 First and second draw loans through all lenders available
- 1/25 Increase to loans taken out before August 8, 2020 open (restrictions apply)
- 3/31 Last day to apply for first or second draw loans

Ineligible for PPP

- Business not in operation on February 15, 2020
- Business has permanently closed
- Publicly-traded business
- Lobbying organizations
- Hedge funds or private equity
- Registered under the Foreign Agents Registration Act
- 20% or more owned by an entity formed in the People's Republic of China or Hong Kong
- Board member who is a resident of the People's Republic of China
- Household employers
- Shuttered venue operator grant recipients
- In bankruptcy
- At least 20% of any class of equity is owned by President, Vice President, head of an Executive department, Member of Congress or spouse

Requesting PPP1 Loan Increase

- Partnerships that did not include partner compensation in original loan request
- Seasonal employers can now use average of any consecutive 12-week period between 2/15/19 and 2/15/20
- Borrowers that repaid in part or in full their first PPP loan because they couldn't use all the funds

Available January 25

Cannot request an increase to include new categories of eligible payroll costs



PPP2 – First Draw Loans

Additional PPP Funding – First Time Borrowers

- \$35 billion available for first time borrowers
 - Businesses with 500 or fewer employees
 - Sole proprietors, independent contractors, self-employed
 - Businesses with NAICS code starting with 72 (food and accommodation services) that have 500 or fewer employees per location
 - Nonprofits, including churches
 - ***NEW*** 501(c)(6) and destination marketing organizations
 - 300 or fewer employees and subject to lobbying thresholds (15% or receipts and activities, \$1 million in lobbying expenditures)
 - ***NEW*** Certain news organizations
 - ***NEW*** Housing cooperatives with no more than 300 employees

How to calculate maximum loan amount

- Three options for calculation
 - 12-month rolling period prior to applying
 - 2019 calendar year
 - 2020 calendar year
- Maximum amount of loan is 2.5 times average monthly payroll
- Eligible payroll costs include
 - Gross salary
 - Employer paid group health, dental, vision, life, and disability insurance
 - Employer paid retirement contributions
 - Employer paid state and local taxes
 - Owner compensation replacement
 - Partner self-employment income
 - Schedule C filers if net profit in '19 or '20
 - Schedule F filers – gross income

First Draw – Important Items

- Cannot apply for a PPP2 ‘first draw’ loan if you applied for and received a PPP loan in 2020
- Maximum first draw loan amount is \$10 million
- If you received an EIDL **LOAN (NOT the advance)** between January 31, 2020 and April 3, 2020, you can refinance that loan into the PPP first draw loan
- Definition of seasonal employer – does not operate more than 7 months in any calendar year OR during the prior calendar year it had gross receipts for any 6 months that were not more than 33.33% of gross receipts for the other 6 months of the year



PPP2 – Second Draw Loans

Additional PPP Funding – Second Draw Loans

- 300 or fewer employees
- Have used or will use the full amount of the first PPP loan
 - Must have used at least 60% on eligible payroll costs
 - Remaining 40% must have been spent on any other PPP eligible costs
- 25% gross receipts decline in any 2020 calendar quarter compared to the same quarter in 2019
 - Accounting method to use (accrual vs cash) – use a method that is consistent with your financial or tax reporting. Our recommendation is to use the accounting method used for your tax filings
- Alternative approach is to use all four quarters of 2019
 - Compare total annual receipts in 2019 to 2020

Gross receipts INCLUDES

- All revenue from whatever source including
 - Sales of products or services
 - Reduced by returns and allowances
 - Interest and dividends
 - Rents
 - Royalties
 - Fees
 - Commissions
- Excludes EIDL or PPP

NO CLARIFYING GUIDANCE

- Payments received from CARES Act Provider Relief Funds
 - Restricted contributions
 - Multi-year pledges

Gross receipts EXCLUDES

- Forgiven PPP loan
- EIDL advance
- Net capital gains/losses
- Taxes collected from customers and levied on the concern or it's employees (sales tax collected and remitted to state authority)
- Proceeds from transactions with a domestic or foreign affiliate
- Amounts collected for another by a travel, real estate, or advertising agent, conference mgmt. services provider, freight forwarder, or customers broker

Calculating maximum loan amount

- Same as calculation for first time borrowers
- ***EXCEPTION*** Businesses with NAICS code starting with 72 (food and accommodation services) can apply for 3.5 times the average monthly payroll
- Maximum loan amount is \$2 million
- Businesses part of a single corporate group (affiliations) cannot receive more than \$4 million of second draw loans in total

Documentation

- If lender is the same and 2019 calendar year payroll used no additional payroll documentation needed for second draw
- Loans > \$150,000 revenue decline documented with relevant tax forms, quarterly financial statements or bank statements
- Loans < \$150,000 documentation not required for loan application but required on or before date borrower applies for forgiveness

Other Rules for Second Draw Loans

- You are not eligible for a second draw loan if you took a PPP loan in 2020 even though you were not eligible
 - If the first draw loan is under review by the SBA, a second draw loan will not be approved until the issue related to the review has been resolved
- Can use the same lender or a new lender
- EIDL loans **CANNOT** be refinanced in second draw loans

Updates for ALL loans

- Borrower can select covered period between 8 and 24 weeks
 - Start date of covered period must still align with disbursement date – the alternate covered payroll period option has been eliminated
- EIDL Advance does **NOT** reduce PPP forgiveness
 - Waiting on additional information for those that already received partial forgiveness – the SBA and banks will work to make corrections
- NEW eligible costs
 - Payroll costs now include group life, disability, dental and vision insurance
 - Supplier costs – cost of goods sold
 - Worker protection costs – operating or capital expenditures to facilitate compliance to COVID standards
 - Property damage costs related to public disturbances not covered by insurance or other compensation
 - Operating expenses – business software or cloud computing

Updates for ALL loans

- New simplified form for loans of \$150,000 or less expected within the next few days
 - One page form, no impact on forgiveness for reductions in FTE or salary/wage reductions
 - Will still need to certify and maintain supporting documentation that the funds were used only for eligible costs, at least 60% for eligible payroll costs
- Review Forms 3509 and 3510 – Loan Necessity Questionnaires for For-Profits and Not-for-Profits if you aren't sure about making the certification about economic necessity

PPP and the Employee Retention Credit

- No longer mutually exclusive
- Can go back to 2020 and take credit
- Credit is available in Q1 and Q2 of 2021
- **CANNOT** use the same wages for both PPP forgiveness and the credit

Shuttered Venue Operator Grants

- Live venue operators or promoters
- Theatrical producers
- Live performing arts organization operators
- Relevant museum, zoos or aquariums that meet specific criteria
- Movie theaters
- Talent representatives
- May qualify for a grant equal to 45% of 2019 gross earned revenue, maximum \$10 million
- Eligible costs include many operating costs (more expansive than PPP)
- Applications are NOT YET being accepted
- CANNOT also receive a 2021 PPP loan

Resources

- COVID-19 Resource Center -
<https://www.wegnercpas.com/wegner-resources/covid-19/>
- SBA
<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>

Thank You!

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