

# PPP2 is (almost) here!

## Consolidated Appropriations Act 2021

## PPP1 Stats

- Applications were accepted until August 8
- 5,212,128 loans approved for over \$525 billion
- Approximately \$124 billion remained unspent
- ~87% of PPP loans are less than \$150,000
- As of 11/22/2020 (most recent available data)
  - 595,144 forgiveness applications submitted to SBA totaling \$83.2 billion
  - 367,321 forgiveness payments had been remitted to lenders totaling \$38.4 billion



# PPP2 HIGHLIGHTS

\$284.5 billion  
for PPP funding

# PPP Deductibility

- Tax deductibility of expenses
  - Deductions **are allowed** for otherwise deductible expenses paid with the proceeds of a PPP loan that is forgiven
  - Gross income does NOT include any amount that would otherwise arise from the forgiveness of a PPP loan

*\*Effective for all borrowers, as of the date of the CARES Act, even if you've already received full forgiveness*

# 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

# Additional PPP Funding – Second Draw Loans

- 300 or fewer employees
- 25% gross receipts decline in any 2020 calendar quarter compared to the same quarter in 2019
  - EIDL grant and PPP loan (if already forgiven) are NOT included in gross receipts
- Have used or will use the full amount of the first PPP loan
  - Borrowers are eligible for second loans even if they have NOT yet received forgiveness on their first loan

***\*Gross receipts – cash vs accrual? Need more information***



## Ineligible Businesses

- Businesses not in operation as of February 15, 2020
- Lobbying organizations
- Publicly-traded
- Organizations that receive Shuttered Venue Operator Grants

# Loan Calculations

- Similar to first round
  - 2.5 times average monthly payroll costs
  - Can use 12 months prior to application OR 2019 payroll
  - Seasonal employers – can use any 12-week period 2/15/19 through 2/15/2020
- Maximum loan amount is \$2 million
- **\*NEW\*** Businesses with NAICS code starting with 72 can borrow **3.5** times average monthly payroll costs
- **\*NEW\*** Schedule F farmers and ranchers can use gross income instead of net income to calculate owner compensation replacement



Applies to all PPP loans unless forgiveness has already been processed

## Eligible Costs

- No change
  - Gross payroll (excludes wages paid under FFCRA and wages in excess of \$100,000 annualized)
  - Employer portion of health insurance and retirement
  - State and local unemployment taxes
  - Rent and mortgage interest on real and personal property
  - Utilities
- **\*NEW\***
  - Group life and disability insurance
  - Worker protection – PPE and costs to comply with COVID-19 health and safety guidelines
  - Supplier costs – essential expenses to the borrower's current operations (COGS)
  - Property damage costs – costs related to 2020 public disturbances not covered by insurance or other compensation

# PPP and FFCRA

	Column 1		Column 2
5a Taxable social security wages . . .	<input type="text"/>	× 0.124 =	<input type="text"/>
5a (i) Qualified sick leave wages . . .	<input type="text"/>	× 0.062 =	<input type="text"/>
5a (ii) Qualified family leave wages . . .	<input type="text"/>	× 0.062 =	<input type="text"/>
5b Taxable social security tips . . . .	<input type="text"/>	× 0.124 =	<input type="text"/>
5c Taxable Medicare wages & tips . . .	<input type="text"/>	× 0.029 =	<input type="text"/>
5d Taxable wages & tips subject to Additional Medicare Tax withholding	<input type="text"/>	× 0.009 =	<input type="text"/>

Wages paid under FFCRA are NOT eligible for PPP loan forgiveness. If employees were paid under FFCRA and you do not have numbers listed in the highlighted sections on your Form 941, please reach out to your payroll provider. These wages need to be broken out separately.

11b Nonrefundable portion of credit for qualified sick and family leave wages from Worksheet 1 11b

## Worksheet 1. Credit for Qualified Sick and Family Leave Wages and the Employee Retention Credit

Keep for Your Records 

### Determine how you will complete this worksheet

If you paid both qualified sick and family leave wages and qualified wages for purposes of the employee retention credit this quarter, complete Step 1, Step 2, and Step 3. If you paid qualified sick and family leave wages this quarter but you didn't pay any qualified wages for purposes of the employee retention credit this quarter, complete Step 1 and Step 2. If you paid qualified wages for purposes of the employee retention credit this quarter but you didn't pay any qualified sick and family leave wages this quarter, complete Step 1 and Step 3.

# Simplified Forgiveness

- Loans under \$150,000
  - One-page form
  - Attestations that borrower complied with requirements
  - Loan amount
  - Number of employees retained
  - Estimate of loan spent on payroll
  - May need to provide documentation to substantiate loss of revenue

## Other Updates

- Borrower can select covered period between 8 and 24 weeks
  - Start date of covered period must still align with either disbursement date or alternate payroll covered period date
- Funds can be used through March 31, extended from December 31
- EIDL Advance does **NOT** reduce PPP forgiveness
  - Waiting on additional information for those that already received partial forgiveness
- Cannot receive both a Shutter Venue Operator Grant AND a PPP loan
- Employee Retention Credit can be taken along with PPP loan (as long as different wages are used)

## What's Next?

- SBA has 10 days once bill was signed into law to issue processes for second round (January 6)
- Banks will need to update their systems to be able to begin accepting loan applications again
- Interim Final Rules and FAQs will be issued by SBA and Treasury
- SBA has 24 days to create the new simplified form for loans of \$150,000 or less – HOLD on applying for forgiveness if you received a loan of \$150k or less
  - Many banks have halted their forgiveness application process until further guidance is issued

# 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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