



Second Draw Paycheck Protection Program (PPP)

Funder Organization: Bank funded, guaranteed by the Small Business Administration (SBA)

General Second Draw PPP Loan information and December 27, 2020 Stimulus (The Coronavirus Relief and Government Funding Package known as the Economic Aid Act) Information:

- SBA is reopening the Paycheck Protection Program (PPP) for First Draw Loans the week of January 11, 2021.
- SBA is accepting Second Draw PPP loan applications from lenders during the week of January 11, 2021.
- Appropriates \$284.45 billion for PPP.
- Created a simplified forgiveness process for PPP loans under \$150,000.
- The legislation clarifies that gross income does not include forgiveness of certain loans, emergency EIDL grants, and certain loan repayment assistance, each as provided by the CARES Act.
- Under the CARES Act of March 2020, forgiven expenses that were utilized with PPP funds were not initially eligible as tax deductible business expenses. The new bill eliminates this provision. Tax implications go away for business borrowers past, present, and future that have a PPP loan or obtain a Second Draw PPP loan.
- An eligible entity may only receive one Second Draw PPP loan.
- Extends the existing safe harbors on restoring FTE, salaries, and wages.
- Many borrowers received an EIDL advance in 2020. If a borrower had received an EIDL advance, it was subtracted from their PPP forgiveness amount. This reduction no longer applies and is retroactive to PPP loans already forgiven.
- Debt Relief: resumes the payment of principal and interest (P&I) on small business loans guaranteed by the SBA under the 7(a), 504 and microloan programs, established under the CARES Act.
- PPP borrowers with a business that ALSO qualifies for the *Employee Retention Tax Credit*, may NOW utilize BOTH programs in 2020 and 2021.

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Eligibility Requirements

- Business must have experienced a 25% decrease in revenue for one calendar quarter in 2020 compared to the same quarter in 2019. Business can select the quarter and the business will need to submit an appropriate quarterly profit and loss statement for both years. The business may compare the 2019 to the 2020 year, however, the business will need to provide the appropriate tax return documentation for this 12 month measurement.
- The maximum employee count for a business to access a 2nd Draw PPP loan is 300 employees with certain exceptions.
 - Under SBA's alternative size standard, a business concern may qualify as a small business concern if it, together with any affiliates: (1) has a maximum tangible net worth of not more than \$15 million; and (2) the average net income after Federal income taxes (excluding any carry-over losses) for the two full fiscal years before the date of application is not more than \$5 million.
 - Waives SBA's affiliation rules for any business concern with not more than 500 employees that, as of the date on which the loan is disbursed, is assigned a NAICS code beginning with 72
- If the business applicant received one previous PPP loan, before the Second Draw PPP loan is disbursed, the borrower must fully use or intend to use the full loan amount of the first PPP (including any increase in that PPP loan amount) for eligible expenses.
- PPP loans are not available to *SBA Shuttered Venue Operator Grant* recipients.
- Second Draw PPP loans are not available to permanently closed businesses.
- Second Draw PPP loans are not available to publicly traded companies.

Maximum Loan Amount: \$2,000,000

Loan Amount Calculation

- Lesser of 2.5 times the average eligible monthly payroll costs or \$2,000,000.
- Businesses with NAICS codes that begin with 72 are eligible for the lesser of 3.5 times their average eligible monthly payroll costs or \$2,000,000.
- The Economic Aid Act provides that the relevant time period for calculating a borrower's payroll costs for a Second Draw PPP Loan is either the twelve-month period prior to when the loan is made or calendar year 2019.

Loan Terms: Interest rate of 1%, 5 year term, no collateral is required, and no personal guarantees are required.

Covered Period: 8 weeks to 24 weeks

Use of Funds: 60% or more must be used for eligible payroll costs.

- Remaining funds may be used for rent, utilities, mortgage interest and four new additional costs including costs related to COVID-19 (added by this legislation):
 - Operational expenditures (payment for software or computing software that facilities business)
 - Property damage costs due to public disturbances that caused harm to a business.

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- Supplier costs, costs for modified business operations, and costs associated with complying with health and safety guidelines.
- Worker Personal Protective Equipment (PPE) expenditure.
- Employee benefits including group health care, group life, disability, vision, or dental insurance, including insurance premiums, and retirement.

Program Time: Extends the PPP program to March 31, 2021.

Forgiveness Terms: Borrowers of a Second Draw PPP loan will be eligible for loan forgiveness equal to the sum of their payroll costs, as well as covered mortgage, rent, and utility payments, covered operations expenditures, covered property damage costs, covered supplier costs, and covered worker protection expenditures incurred during the covered period. The 60%/40% cost allocation between payroll and non-payroll costs in order to receive full forgiveness will continue to apply. In addition, employee and compensation levels are maintained in the same manner as required for the First Draw PPP loan program.

Additional Information

SBA Program Information Page:

<https://www.sba.gov/ppp>

SBA Lender Match Tool:

<https://www.sba.gov/funding-programs/loans/lender-match>

First Draw PPP Loan Application:

<https://www.sba.gov/document/sba-form-2483-ppp-first-draw-borrower-application-form>

Second Draw PPP Loan Application:

<https://www.sba.gov/document/sba-form-2483-sd-ppp-second-draw-borrower-application-form>

SBA Summary Sheet of the First Draw PPP Loan Program:

<https://www.sba.gov/sites/default/files/2021-01/Top-line%20Overview%20of%20First%20Draw%20PPP%20%281.8.2021%29-508.pdf>

SBA Summary Sheet of the Second Draw PPP Loan Program:

<https://www.sba.gov/sites/default/files/2021-01/Top-line%20Overview%20of%20Second%20Draw%20PPP%20%281.8.2021%29-508.pdf>

US Treasury Information Page For The PPP:

<https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>

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Revised/Edited by: **Noah Brockman**

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