



## Paycheck Protection Program (PPP) Loan 2021

The CARES Act created the Paycheck Protection Program (“PPP”), which amended the Small Business Act (“SBA”) to provide short term loans to companies with fewer than 500 employees and other companies (such as those in the Accommodation and Food Services Industry). Such loans may be eligible for full forgiveness if used for payroll and other business expenses and all other statutory requirements are met. Now, Congress has passed a second Stimulus Bill called the Coronavirus Response and Relief Supplemental Appropriations Act which is on President Trump’s desk for signature. The bill, among other things, creates a second loan from the PPP called a PPP Second Draw Loan for smaller and harder-hit businesses. Below is an overview of the terms of the PPP Second Draw Loan.

### Paycheck Protection Program 2021 Loans

#### Eligibility

In order to receive a PPP Second Draw Loan, eligible entities must:

- (1) employ no more than 300 employees;
- (2) have used or will use the full amount of their first PPP; and
- (3) demonstrate at least a 25 percent reduction in gross receipts in the first, second, or third quarter of 2020 relative to the same 2019 quarter. Applications submitted on or after January 1, 2021 are eligible to utilize the gross receipts for the fourth quarter of 2020.

#### Loan Terms

In general, borrowers may receive a loan amount of up to 2.5X the average monthly payroll costs in the one year prior to the loan or the calendar year.

Entities in industries assigned to NAICS code 72 (Accommodation and Food Services) may receive loans of up to 3.5X average monthly payroll costs.

No loan can be greater than \$2 million.

For loans no more than \$150,000, the entity may submit a certification attesting that the entity meets the revenue loss requirements on or before the date the entity submits their loan forgiveness application and non-profit and veterans’ organizations may utilize gross receipts to calculate their revenue loss standard.

#### Additional Eligible Expenses

Makes the following expenses allowable and forgivable uses for Paycheck Protection Program Funds:

Covered operations expenditures. Payment for any software, cloud computing, and other human resources and accounting needs.

Covered property damage costs. Costs related to property damage due to public disturbances that occurred during 2020 that are not covered by insurance.

Covered supplier costs. Expenditures to a supplier pursuant to a contract, purchase order, or order for goods in effect prior to taking out the loan that are essential to the recipient’s operations at the time at which the expenditure was made. Supplier costs of perishable goods can be made before or during the life of the loan.

Covered worker protection expenditure. Personal protective equipment and adaptive investments to help a loan recipient comply with federal health and safety guidelines or any equivalent State and local guidance related to COVID-19 during the period between March 1, 2020, and the end of the national emergency declaration.

## **Loan Forgiveness**

Borrowers of a PPP Second Draw Loan would 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 work protection expenditures incurred during the covered period (borrower can choose between 8 and 24 weeks after origination).

The 60/40 cost allocation between payroll and non-payroll costs to receive full forgiveness will continue to apply.

## **Application of Exemption Based on Employee**

Extends existing safe harbors on restoring FTE and salaries and wages. Specifically, applies the rule of reducing loan forgiveness for the borrower reducing the number of employees retained and reducing employees' salaries in excess of 25 percent.

## **Reporting**

At this time no guidance has been issued on the documentation needed to apply for the PPP Second Draw. Sources have eluded that the documentation may very well the same needed for the first.

To access the 2019 documentation needed for the PPP second draw navigate to Reporting > Client Reports. Use the Reporting Category dropdown and select COVID 19 Reporting then filter. Click on "CARES Paycheck Protection Program Report"