

2021 PAYCHECK PROTECTION PROGRAM ANSWERS TO YOUR QUESTIONS

When will the next round of Paycheck Protection Program (PPP) funds be made available?

Now that the COVID-19 Relief bill is a law, the SBA needs to create the new PPP program, distribute the rules, and update its systems, which could take up to a month. Then banks and software vendors will need to implement the processes and update their systems.

Who is eligible to apply for the next round of PPP loans?

PPP loans will be available to qualified first-time Borrowers and to businesses that previously received a PPP loan.

First-time Borrower Requirements:

- Businesses with 500 or fewer employees that are eligible for other SBA 7(a) loans
- Sole proprietors, independent contractors, and eligible self-employed individuals
- Not-for-profits, including churches and 501(c)(6) membership organizations
- Accommodation and food service operations (those with North American Industry Classification System (NAICS) codes starting with 72) with fewer than 300 employees per physical location

If you already received a PPP loan, you may apply for another PPP loan if:

- Current economic uncertainty makes the PPP loan necessary to support ongoing operations
- The loan you request is \$2 million or less
- The business has 300 or fewer employees
- The business used or will use the full amount of their first PPP loan
- The business can show a 25% gross revenue decline in any 2020 quarter compared with the same quarter in 2019

Organizations that are 501(c)(6) such as chambers of commerce are also eligible, provided they do not have more than 300 employees and do not receive more than 15% of their funds from lobbying.

Has the taxability of the PPP loan changed?

Yes, the COVID-19 Relief law specifies that expenses covered by the PPP loan will be tax-deductible.

What are the requirements for potential Forgiveness of this next round of PPP funds?

To be eligible for full loan Forgiveness, PPP Borrowers will have to spend no less than 60% of the funds on payroll over a covered period of either 8 or 24 weeks.

Other uses of the funds that will be potentially forgivable include:

- Rent, covered mortgage interest, and utilities
- Covered worker protection and facility modification expenditures, including personal protective equipment to comply with COVID-19 federal health and safety guidelines
- Expenditures to suppliers that are essential at the time of purchase to the recipient's current operations
- Covered operating costs such as software and cloud computing services and accounting needs

How do I calculate my requested loan amount?

You can receive a loan amount of up to 2.5 times your average monthly payroll costs in the year prior to the loan or the calendar year, the same as the previous PPP round, but the maximum loan amount allowed for this round is now \$2 million. PPP Borrowers with NAICS codes starting with 72 (accommodation and food service) can receive up to 3.5 times their average monthly payroll costs up to \$2 million.

Seasonal employers may calculate their maximum loan amount based on a 12-week period beginning February 15, 2019, through February 15, 2020.

Has PPP Forgiveness been impacted?

The new law creates a simplified Forgiveness application process for both existing PPP loans as well as Second Draw loans of \$150,000 or less.

This means a Borrower will receive Forgiveness if they sign and submit a one-page certification, and no other documentation is required. However, please note that this new simplified Forgiveness application has to be developed by the SBA and may not be available until February 2021.

Borrowers are required to retain relevant records related to employment for four years and other records for three years, as the SBA may review and audit these loans.