

PPP LOAN REVISIONS

January 2021

On December 27, 2020, the President signed the Consolidated Appropriations Act of 2021 which included economic aid to hard-hit small businesses. The Act makes changes to the rules for Paycheck Protection Program (PPP) loans, including a second round of PPP loan funds, an increase in allowable expenses that can be used to calculate forgiveness, and a streamlined forgiveness application for loans of \$150,000 or less.

Second Round PPP Loan:

The Act provides for a second PPP loan. The requirements to secure another round of help from SBA loan are generally the same as they were for the first round earlier in the year. Here are a few details on the second round of PPP lending:

- The borrower has at least a 25% reduction in gross receipts in any quarter of 2020 as compared to the same quarter in 2019.
- The applicant for a second round PPP loan must certify that economic uncertainty makes the loan request necessary to support the business's ongoing operations. For both the first and second versions of the PPP loans, "economic necessity" is required.
- The loan amount is based on 2.5 times the average monthly payroll costs in 2019. There is a special rule for lodging and restaurant businesses.
- The loan cannot exceed \$2 million (was \$10 million).
- The business can have no more than 300 employees (was 500).
- Special rules apply for seasonal employers and for businesses that were not in existence in 2019.
- The borrower must have received a regular PPP loan and expects to use all of the regular loan proceeds before the date the business receives the second-round loan.

Forgiveness Categories:

For both the first and second round of PPP loans, forgiveness is calculated based on the following expenditures:

- At least 60% of the forgiveness amount must be spent on payroll costs (which include group life, disability, vision, and dental insurance).
- Other eligible costs continue to include rent/mortgage interest and utilities.
- Additional eligible cost categories added by the Act include operation expenditures, property damage related to 2020 public disturbances,

supplier costs, worker protection costs related to COVID (plastic barriers, PPE, etc.)

Simplified Loan Forgiveness Application:

Borrowers applying for forgiveness on a loan of \$150,000 or less may use a new, simple one page form. The simplified form will require the borrower to provide an attestation that its certification was accurate, that it has complied with PPP requirements, and that it is maintaining required records. The borrower must provide:

- (1) The number of employees whose jobs were preserved due to the PPP loan,
- (2) The amount of loan proceeds spent on payroll costs, and
- (3) The total amount of the loan.

This is a very brief summary of the expanded and revised PPP loan process. These are some of the changes to the calculation and application for forgiveness of the first round of PPP loans. There are many more details on who qualifies for a second round of PPP loan funds.

Call or email Jim if you need us to help.