

Consolidated Appropriations Act of 2021 and PPP2

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CPAs

Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act

- \$900 billion COVID-19 Relief Bill signed into law on December 27th, 2020
 - \$284 Billion allocated to PPP funding
 - \$35 Billion for first-time loans
 - \$15 Billion set aside for community financial institutions

Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act (Continued)

- SBA and Treasury issued two Interim Final Rulings on Wednesday, January 6th, 2021
 - 82-page IFR–“Business Loan Program Temporary Changes; Paycheck Protection Program as amended by Economic Aid Act”
 - Consolidated 8 months of rules released for forgivable loans.
 - 42-page IFR–“Business Loan Program Temporary Changes; Paycheck Protection Program Second Draw Loans”
 - Establishes guidelines for new PPP loans to businesses that previously received a PPP loan.

Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act (Continued)

- SBA and Treasury released new application forms late January 8th, 2021.
 - Form is very similar to the first round of PPP loans.
 - Still must make certifications of employees and revenue reduction.
- Beginning January 11th, 2021, small community financial institutions will start accepting applications.
- Beginning January 13th, 2021, all other institutions will start accepting applications.
- Note: You can apply for a PPP loan up until March 31st, 2021.



Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act (Continued)

- Key Terms of PPP Second Draw Loans:
 - Generally subjected to same terms, conditions, and requirements as First Draw PPP loans.
 - 100% guarantee.
 - No collateral.
 - No personal guarantees.
 - 1% interest.
 - Maturity in 5 years.

PPP Provisions in Consolidated Appropriations Act, 2021

- Second draw loans are available for those who meet the following requirements:
 - Generally, 300 or fewer employees
 - For businesses with multiple locations, no more than 300 employees per physical location
 - 25% Gross Receipt decline in any quarter in 2020 as compared to the same quarter in 2019
 - EIDL and PPP are **not** included in gross receipts
 - Appears to be based on calendar year. We are waiting on official guidance from the SBA and/or Treasury.
 - Used, or will use the full amount of their first PPP loan on or before the expected date for the second PPP loan disbursement.

Gross Receipts Definition

- All revenue in whatever form received or accrued, in accordance with the entity's accounting method, from sources including:
 - Sales of products or services
 - Interest, dividends
 - Rents
 - Royalties
 - Fees
 - Commissions
 - Reduced by returns and allowances

Second Draw Borrowers

- Loan amount—Maximum of \$2 Million
 - Calculated at 2.5x average monthly payroll costs
 - Restaurants, hotels...etc. (NAICS Code 72) are calculated at 3.5x average monthly payroll costs
 - Can use 2019, 2020 or 12 months prior to application for payroll costs
- Covered Period
 - Borrower can choose a covered period that is between 8 and 24 weeks



Second Draw Documentation

- Generally, the same documentation required for the First Draw PPP loans will be required for the Second Draw.
- If the lender is the same and 2019 figures are used, then no additional documentation is required to substantiate payroll costs.
- For loans over \$150,000, submit documentation on revenue decline such as:
 - Annual Tax Forms
 - Quarterly Financial Statements
 - Bank Statements
- For loans under \$150,000, documentation is not submitted with the loan application, but must be submitted on or before the date the borrower applies for forgiveness.
 - Note: SBA can request
 - Will need to do the comparison anyway to determine eligibility

Other PPP Provisions

- Schedule F farmers and ranchers can use gross income instead of net income (either 2019 or 2020).
- Borrowers whose loan amount was impacted by changing guidance can modify loan amounts even if the loan has been fully disbursed.

PPP Loan Forgiveness

- Same as PPP 1
- Covered Work Protection Expenditures
 - PPE and costs to comply with COVID-19 federal health and safety regulations
- Covered Supplier Costs
 - Expenditures to a supplier that are essential to the recipient's current operations
- Covered Operations Expenditures
 - Software, cloud computing, other HR/Accounting
- Covered Property Damage Costs
 - Cost related to 2020 public disturbances not covered by insurance or other compensation
- 60/40 split between payroll and non-payroll

Simplified Loan Forgiveness

- Loans of \$150,000 or less
 - SBA has 24 days to prepare this form
 - Will sign and submit a 1-page form
 - Certifying compliance with PPP requirements
- Will need to substantiate loss of revenue when applying for forgiveness

Employee Retention Credit

- Much improved!
- Now, businesses that received PPP are eligible.
- Join us for a webinar where we will cover updates to ERC and changes to Emergency Pay Sick Leave.
 - **Friday, January 22nd at 10:30 am EDT.**
 - More information and registration link coming soon.

Questions? Contact Us.

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