

PPP2 in Stimulus Bill

\$284.5B for PPP
funding

Second draw loans for hardest hit borrowers

- Generally 300 or fewer employees;
 - For businesses with multiple locations, not more than 300 employees per physical location
- 25 percent gross receipts* decline in any quarter in 2020 compared to same quarter in 2019
 - EIDL and PPP aren't included in gross receipts
 - Appears to be based on calendar quarter (not a 3-month period or fiscal quarter). SBA/Treasury will determine.
- Has used or will use full amount of first draw funds
- Comparison periods will differ for borrowers who weren't in operation the entire year of 2019.

* *Gross receipts accounting method is a big question mark for now.*

Second draw borrowers

Loan amount: Maximum loan amount = \$2 million

- Calculated at **2.5x average monthly payroll** costs
- **Restaurants, Hotels**, etc. (NAICS Code 72) at **3.5 x average monthly payroll** costs
- Seasonal = 12-week period Feb. 15, 2019 through Feb. 15, 2020
- New = total payroll divided by # months x 2.5
- **Can use either 2019 payroll or 12 months prior to application**

Covered Period

- Borrower can choose a covered period that is between 8 and 24 weeks.
- Covered period for all PPP loans extended through March 31, 2021

SBA has 10 days to issue guidance on 2nd draw process

\$25B set aside for **borrowers with 10 or fewer employees or loans less than \$250K** in low-income areas

First draw borrowers

\$35B for 1st time
borrowers

Who's eligible:

- Generally businesses with 500 or fewer employees that are eligible for other SBA 7(a) loans
- Sole proprietors, independent contractors, and eligible self-employed individuals.
- Any business that averages less than 500 employees per physical location that has a NAICS code starting with 72 (accommodation and food services)
- Nonprofits, including churches
- Adds 501(c)(6) and destination marketing organizations
 - 300 or fewer employees
 - Chambers of commerce, economic development, tourism
 - Subject to lobbying threshold (*15% of receipts, 15% of activities, \$1M*)
- Adds certain news organizations
- Adds housing cooperatives

PPP Ineligibility

Businesses that are ineligible for PPP

- Businesses **not in operation on February 15, 2020**
- Entities receiving **Shuttered Venue Operator Grants**
- **Publicly-traded businesses**
- **Lobbying organizations**
- Entities affiliated with entities in the People's Republic of China
- Those registered under the Foreign Agents Registration Act
- President, Vice President, head of an Executive department, Member of Congress or their spouse
- Entities listed in [13 C.F.R 120.110](#), unless otherwise made eligible

PPP Loan Forgiveness – eligible expenses expanded

Costs eligible for loan forgiveness – first and second draws:

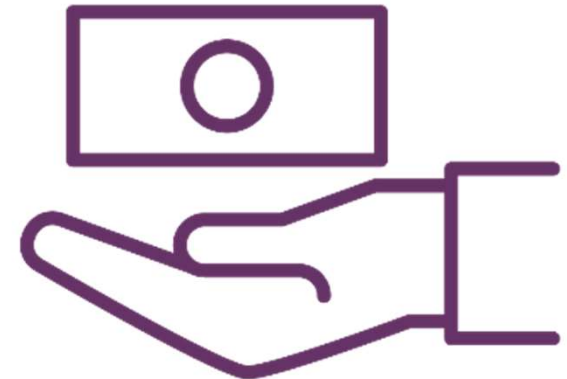
- Same as PPP 1:
 - Payroll costs (*clarified to include group life, disability, vision, or dental insurance*)
 - Mortgage interest • Rent • Utility payments
- Covered **worker protection expenditures**: PPE and costs to comply with COVID-19 federal health and safety guidelines
- Covered **supplier costs**: 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**: Costs related to 2020 public disturbances not covered by insurance or other compensation
- **Applies to original PPP loans and new PPP loans** (unless forgiveness has already been processed)

60/40 split between payroll and non-payroll is maintained for 1st and 2nd draws

Simplified forgiveness

Simplified loan forgiveness for loans \$150,000 or less

- **SBA has 24 days to prepare the form**
- Sign and submit a one-page form
- Attest to complying with PPP requirements
- Loan amount
- # of employees retained
- Estimate of loan amount spent on payroll
- Retain records
 - 4 years for employment
 - 3 years for other
- May be required to provide documentation to substantiate loss of revenue



PPP Deductibility

Gross income does not include any amount that would otherwise arise from the forgiveness of a PPP loan.

Deductions are allowed for otherwise deductible expenses paid with the proceeds of a PPP loan that is forgiven

Tax basis and other attributes of the borrower's assets will not be reduced as a result of the loan forgiveness.*

Effective as of the date of CARES Act

Also applies to Second Draw PPP loans

** We know there are basis-related questions. Guidance from IRS/Treasury will be needed.*

Other Provisions



- **Repeal EIDL Advance deduction from PPP forgiveness**
- Extension of subsidy by SBA of other 7(a) loans
 - 3 months beg. Feb 2021
 - Capped at \$9k/month
 - Underserved will receive 5 more months
 - Tax treatment consistent with PPP
- Funding for Targeted EIDL Advances
 - Tax treatment consistent with PPP
- Grants for shuttered venue operators (theater, museum, etc.)
 - Tax treatment consistent with PPP

Some Unknowns

Accounting Method for Gross Receipts

- Cash or accrual
- What's in/what's out
- For NFPs, bill references Sec. 6033 of IRC.

SBA/Treasury will release forms and instructions along with IFRs and FAQs. Some forms should arrive quickly. Timing on IFRs/FAQs is unclear.

Documentation

For 2nd draw loans >\$150k, what will borrower need to provide for revenue decline?

Self-assessment of need

Expect a certification by borrower that “the uncertainty of current economic conditions makes necessary the loan request to support the ongoing operations” as in first round PPP.