

Paycheck Protection Program Stimulus 2 Updates

December 2020

Congress passed a COVID-19 stimulus that created \$284 billion addition funding for the Paycheck Protection Program (PPP). Additionally, Congress clarified that expenses paid with PPP funds will be NOT TAXABLE, which is reversal from IRS guidance provided earlier this year. A basis increase is permitted for the loan amount, and PPP forgiveness will no longer be reduced by the Economic Injury Disaster Loan (EIDL) Advance. The bill is currently awaiting the President's signature.

Within 45 days following the effective date of the new law, the Small Business Administration (SBA) is required to provide Congress with the details of the audit plan for PPP Loans over \$150,000, including monthly updates. Whether this will provide clarification to borrowers required to file the Form 3509 is yet to be known.

What businesses need to know about this second round of PPP funding:

- Available to first-time borrowers and businesses that previously received PPP funds.
- Loan amounts are capped at \$2 million dollars.
- Can receive loan amount of up to 2.5 average monthly payroll costs based off the preceding 12 months from the date the loan is made; or calendar year 2019. Provision to modify still available to seasonal employers.
- Borrowers with NAICS codes that begin in 72 (accommodation and food service) can receive loan amounts of up to 3.5 average monthly payroll costs.
- Special provisions included specifically for Farmers and Ranchers.
- Allows borrowers who returned all or part of their PPP loan to reapply for the maximum amount applicable.
- Borrowers may choose 8 or 24 weeks from loan date as their covered period.
- Borrowers must use at least 60% of loan amount of payroll and the remaining can be spent on qualified non-payroll expenses.
- Qualified expenses from the first PPP Loan are retained (payroll, rent, mortgage interest, utilities) and expanded to include the following:
 - Qualified payroll expenses are expanded to include group life, disability, vision and dental insurance benefits.

Qualified non-payroll expenses is expanded to include:

- Covered operations expenditure: Payments 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.
- SBA is required to create a simplified forgiveness form for loans under \$150,000.

Eligibility for second round of PPP funding includes:

- Business or Organization must have been operating prior to February 15th, 2020.
- Have no more than 300 or fewer employees (in select situations the limit is increased to 500 or fewer employees).
- Have used, or will use, the full amount of first PPP loan on eligible qualified expenses.
- Must be able to show 25% gross receipts decline in a 2020 quarter compared with same quarter in 2019.
- If business started between Jan 1st, 2020 and February 15th, 2020 must show 25% gross receipts decline in either the 2nd, 3rd, or 4th quarter of 2020 compared to the 1st quarter of 2020.
- Special provisions apply to entities and individuals who are eligible for the Shuttered Venue Operator Grant.

Do you have questions about PPP Loan Updates with the Second Stimulus? Please contact Frankel Zacharia today at 402-406-9100.