

## **Payroll Protection Program Extension Provides Small Businesses Additional Time to Apply**

On March 30th, President Joe Biden signed legislation that extended the application deadline from March 31<sup>st</sup> to May 31<sup>st</sup> for the Paycheck Protection Program (PPP). The legislation also provides financial institutions with 30 additional days to process the loans.

The extension is a result of the PPP Extension Act of 2021 passed in March by both the House and Senate.

### **WHAT IS THE PPP?**

The PPP was originally established in March 2020 as a part of the Coronavirus Aid, Relief and Economic Security (CARES) Act. The program was established under the oversight of the Small Business Administration (SBA) to assist small businesses that were negatively impacted by the coronavirus pandemic.

The Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act was passed as a part of the Consolidated Appropriations Act of 2021 in December 2020.

This Act allows qualifying small businesses to receive a second draw from the PPP through \$285 billion of additional funding.

For businesses that use the funds for qualified payroll and operating expenses, the loans are completely forgivable. Any amount that must be repaid is subject to the following terms:

- Repayable over five years
- 1% interest rate

Borrowers have up to 10 months after the end of the covered expense period (8 or 24 weeks) to apply for forgiveness.

### **DO I QUALIFY FOR A PPP LOAN?**

In order to qualify for the second round of PPP, a business must meet the following requirements:

- Received a first-round PPP loan for which all of the funds were used for authorized expenses
- Have 300 or fewer employees
- Experienced a 25% or greater reduction in gross receipts in at least one quarter in 2020 when compared to a comparable time period in 2019

The maximum loan amount was reduced from \$10 million for the first draw to a \$2 million limit for the second round.

### **WHAT ARE CONSIDERED TO BE QUALIFIED EXPENSES?**

60% of any funds received from PPP loans must be used for payroll costs. The remaining 40% of nonpayroll costs can include expenses such as:

- Mortgage interest or rent payments
- Utility expenses
- Operating expenses
- Vendor costs
- Personal protective equipment and other worker protection costs

### **OTHER PPP UPDATES**

In addition to the extended deadline, the Biden Administration made additional changes intended to help the smallest businesses.

For self-employed individuals who file Schedule C along with their 1040 tax return, these business owners may now use line 7 (gross receipts) rather than line 31 (net income) of their tax return when calculating the amount of loan which the business is eligible for. This is intended to help more small businesses qualify for assistance.

The Paycheck Protection Program has served as a much-needed lifeline for small businesses. The deadline extension will provide small businesses with additional time in order to secure funding.

If you would like to learn more about how the Paycheck Protection Program (PPP) deadline extension impacts you or your business, please contact Frankel Zacharia at 402.496.9100.