

2021 Paycheck Protection Program Round 2

Hosted by:



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AGENDA

- Details on New Program
- First Draw Eligibility
- Second Draw Eligibility
- Changes to Applications
- New Eligible Expenses
- Documentation Requirements
- Changes to Forgiveness
- Tax Implications of PPP

DETAILS ON NEW PROGRAM

Borrowers

- \$35 billion for first-draw applicants (\$15 billion for smaller, first-time applicants with 10 or fewer employees, or loans less than \$250,000 in low-income areas)
- \$25 billion for second-draw PPP loans for smaller applicants with 10 or fewer employees, or loans less than \$250,000 in low-income areas
- Have until March 31, 2021 to apply

Lenders

- Dedicated \$15 billion set-aside for lending through community financial institutions, including Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs) to increase access for minority-owned and other underserved small businesses and nonprofits
- Dedicated \$15 billion set-aside for certain small Depository Institutions (under \$10 billion in assets)

PROGRAM ROLLOUT

Initial roll-out (Week of 1/11/2021)

Originations open to designated CFIs: CDFIs, CDCs, MDIs, and Micro Institutions

1/11/21 –First Draws; Beginning 1/13/21 –Second Draws

1/15/21 – First and Second Draws for Lenders with less \$1 Billion

1/19/21 – All other lenders for First and Second Draws

Reason

Targeting underserved and smaller borrowers

Testing new SBA system

DIFFERENCE IN PROCESSING APPLICATIONS

- ❖ SBA utilizing different system to process
- ❖ SBA reviewing and prioritizing applications

PAYCHECK PROTECTION PROGRAM OUTLINE

FUNDING	\$284B with a program end-date of March 31, 2021
PROGRAM COMPONENTS	(1) First draw & increase in loan amount Round 1 and 2; (2) Second Draw
EIDL ADVANCES	Remitted back to the lender
MAX LOAN AMOUNTS	Lesser of \$2 million or 2.5x monthly payroll (3.5x NAICS Code 72 – Second draw only)
INTEREST RATE	1%
MATURITY DATE	5 years
E-SIGNATURES	Acceptable
PAYMENT DEFERMENT	10 months after end of Covered Period, but interest accrues
GUARANTEE	100%
FORGIVENESS	Yes, up to full principal and accrued interest if: All loan proceeds are used for forgivable purpose At least 60% of loan amount is applied to payroll for full forgiveness

Eligibility

- Eligible entities that were in operation before 2/15/2020
- No more than 500 employees or your industry's applicable SBA revenue-based size standard
- Businesses, Independent contractors, self-employed individuals, and sole proprietors
- Tax-exempt non-profit organizations and veteran organizations
- Tribal businesses
- Housing cooperatives that employ no more than 300 employees
- Eligible 501(c)(6) organizations that employ no more than 300 employees
- Destination marketing organizations that employ no more than 300 employees
- **Eligible news and non-profit broadcasting organizations that are majority owned or controlled by a NAICS Code 511110 or 5151**
- Hospitals with government funding less than 50%
- Seasonal businesses, including those that were dormant or not operating as of 2/15/2020
 - 12-week opening rules still apply

* Ineligible entities include those with ties to China (Second Draw loans), entities receiving Shuttered Venue grant and those permanently closed

Eligibility

- An applicant is eligible for a Second Draw Loan if it has 300 or fewer employees
- Business with NAICS code beginning with 72 are eligible to receive a Second Draw PPP loan if it employs no more than 300 employees **per physical location** and meets the revenue reduction requirements
- Provides a second PPP forgivable loan that can demonstrate a **reduction of 25% of gross receipts** in any quarter during 2020 when compared to the same quarter in 2019; or year-over-year if open for full 2019
- Specific guidance for businesses that only operated in certain quarters is available
- Funds from initial PPP loan must have been used or will be used prior to disbursement of second PPP loan

SIGNIFICANT CHANGES - APPLICATIONS

Loan Details-First Draw

- Maximum loan amount of \$10MM, or
- Average monthly payment for payroll costs incurred in 2019, 2020 or precise 1-year prior to loan (\$100,000 cap; multiplied by 2.5X, plus refi of EIDL loan made between 1/31/2020-4/3/2020, if applicable
- Includes allowable **increases in previous PPP loans** for partner compensation, seasonal employers, and those who returned or did not accept the full amount of original PPP loan

Loan Details –Second Draw

- Maximum loan amount of \$2MM, or
- Average monthly payroll multiplied by 2.5X unless NAICS 72 Entity, then it's 3.5X
- 1-year period prior to when the loan is made or calendar year 2019. Tailored methodologies for certain borrowers
- Can use 2019 or 2020 payroll to calculate, whichever is greater

SIGNIFICANT CHANGES – COVERED EXPENSES

Expanded list includes:

- Interest payments on any debt obligations incurred before 2/15/2020
- Worker expenses such as PPE, including costs related to adapting to federal health and safety guidelines (e.g., outdoor dining)
- Property damage incurred during 2020 disturbances not covered by insurance
- Operations expenses including software, cloud computing, HR, and accounting needs
- Supplier costs – payments to a supplier of goods that are essential to operations and is made pursuant to a contract, order or purchase order in effect
 - at any time before the covered period with respect to the applicable covered loan; or
 - with respect to perishable goods in effect before or at any time during the covered period with respect to the applicable covered loan
- Other employer-provided insurance is eligible as payroll costs (health, dental, vision and life)
- These expenses **apply to all PPP loans** not already forgiven

* Payroll expenses must still comprise no less than 60% of eligible expenses for full forgiveness

Submit SBA Form 2483 or 2483-SD via our portal along with...

- ✓ A payroll statement from the pay period inclusive of 2/15/2020
- ✓ 2019 or 2020 (whichever was used to calculate payroll) tax forms or financial records or bank statements
- ✓ Form 941s
- ✓ If using calendar year 2020: 940 or W-3
- ✓ State quarterly wage unemployment tax insurance tax reporting forms
- ✓ Equivalent third-party payroll processor records can be provided in place of tax forms
- ✓ Evidence of any employee group retirement plans
- ✓ Evidence of any employee group health, life, disability, vision and dental insurance contributions

And if...

- ✓ **Self-employed:** 2019 or 2020 Schedule C
- ✓ **Partnerships:** 2019 or 2020 K-1s

**Clients using calendar year 2019 payroll figures for Second Draw, where documentation was presented to original lender for processing First Draw PPP, do not need to resubmit payroll proof.

Eligibility Proof

- ✓ Loans greater than \$150,000: gross receipts for 2019 and 2020 demonstrating a revenue reduction of at least 25%. Can be annual or same calendar quarter.
- ✓ Loans of \$150,000 or less, proof of the revenue reduction is not required at time of application but **MUST** be submitted at loan forgiveness. Borrower still must attest, in good faith, that the reduction occurred

Applicant must sign and date first page of the financial statement and initial all other pages, attesting to their accuracy



Paycheck Protection Program
Borrower Application Form Revised January 8, 2021

OMB Control No.: 3245-0467
Expiration Date: 7/31/2021

Check One: <input type="checkbox"/> Sole Proprietor <input type="checkbox"/> Partnership <input type="checkbox"/> C-Corp <input type="checkbox"/> S-Corp <input type="checkbox"/> LLC <input type="checkbox"/> Independent Contractor <input type="checkbox"/> Self-Employed Individual <input type="checkbox"/> 501(c)(3) nonprofit <input type="checkbox"/> 501(c)(6) organization <input type="checkbox"/> 501(c)(19) veterans organization <input type="checkbox"/> Housing cooperative <input type="checkbox"/> Tribal Business <input type="checkbox"/> Other		DBA or Tradename (if applicable)	Year of Establishment (if applicable)
Business Legal Name		NAICS Code	Applicant (including affiliates, if applicable) Meets Size Standard (check one): <input type="checkbox"/> No more than 500 employees (or 300 employees, if applicable) <input type="checkbox"/> SBA industry size standards <input type="checkbox"/> SBA alternative size standard
Business Address (Street, City, State, Zip Code - No P.O. Box addresses allowed)		Business TIN (EIN, SSN)	Business Phone
Average Monthly Payroll: \$		Primary Contact	Email Address
Average Monthly Payroll: \$	x 2.5 + EIDL (Do Not Include Any EIDL Advance) equals Loan Request Amount: \$	Number of Employees:	Purpose of the loan (select all that apply): <input type="checkbox"/> Payroll Costs <input type="checkbox"/> Rent / Mortgage Interest <input type="checkbox"/> Utilities <input type="checkbox"/> Covered Operations Expenditures <input type="checkbox"/> Covered Property Damage <input type="checkbox"/> Covered Supplier Costs <input type="checkbox"/> Covered Worker Protection Expenditures <input type="checkbox"/> Other (explain):

Applicant Ownership
List all owners of 20% or more of the equity of the Applicant. Attach a separate sheet if necessary.

Owner Name	Title	Ownership %	TIN (EIN, SSN)	Address

If questions (1), (2), (5), or (6) are answered "Yes," the loan will not be approved.

Question	Yes	No
1. Is the Applicant or any owner of the Applicant presently suspended, debarred, proposed for debarment, declared ineligible, voluntarily excluded from participation in this transaction by any Federal department or agency, or presently involved in any bankruptcy?		
2. Has the Applicant, any owner of the Applicant, or any business owned or controlled by any of them, ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is (a) currently delinquent, or (b) has defaulted in the last 7 years and caused a loss to the government?		
3. Is the Applicant or any owner of the Applicant an owner of any other business, or have common management (including a management agreement) with any other business? If yes, list all such businesses (including their TINs if available) and describe the relationship on a separate sheet identified as addendum A.		
4. Did the Applicant receive an SBA Economic Injury Disaster Loan between January 31, 2020 and April 3, 2020? If yes, provide details on a separate sheet identified as addendum B.		
5. Is the Applicant (if an individual) or any individual owning 20% or more of the equity of the Applicant presently incarcerated or, for any felony, presently subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction? Initial here to confirm your response to question 5 --		
6. Within the last 5 years, for any felony involving fraud, bribery, embezzlement, or a false statement in a loan application or an application for federal financial assistance, or within the last year, for any other felony, has the Applicant (if an individual) or any owner of the Applicant 1) been convicted; 2) pleaded guilty; 3) pleaded nolo contendere; or 4) commenced any form of parole or probation (including probation before judgment)? Initial here to confirm your response to question 6 --		
7. Is the United States the principal place of residence for all employees included in the Applicant's payroll calculation above?		
8. Is the Applicant a franchise?		
9. Is the franchise listed in the SBA's Franchise Directory? If yes, enter the SBA Franchise Identifier Code here: _____		

Paycheck Protection Program
Second Draw Borrower Application Form

OMB Control No.: 3245-0417
Expiration Date: 7/31/2021

Check One: <input type="checkbox"/> Sole Proprietor <input type="checkbox"/> Partnership <input type="checkbox"/> C-Corp <input type="checkbox"/> S-Corp <input type="checkbox"/> LLC <input type="checkbox"/> Independent Contractor <input type="checkbox"/> Self-Employed Individual <input type="checkbox"/> 501(c)(3) nonprofit <input type="checkbox"/> 501(c)(6) organization <input type="checkbox"/> 501(c)(19) veterans organization <input type="checkbox"/> Housing cooperative <input type="checkbox"/> Tribal Business <input type="checkbox"/> Other		DBA or Tradename (if applicable)	Year of Establishment (if applicable)
Business Legal Name		NAICS Code	
Business Address (Street, City, State, Zip Code - No P.O. Box addresses allowed)		Business TIN (EIN, SSN)	Business Phone
Average Monthly Payroll: \$		Primary Contact	Email Address
Average Monthly Payroll: \$	x 2.5 (or x 3.5 for NAICS 72 applicants) equals Loan Request Amount (may not exceed \$2,000,000): \$	Number of Employees (including affiliates, if applicable, may not exceed 300):	Purpose of the loan (select all that apply): <input type="checkbox"/> Payroll Costs <input type="checkbox"/> Rent / Mortgage Interest <input type="checkbox"/> Utilities <input type="checkbox"/> Covered Operations Expenditures <input type="checkbox"/> Covered Property Damage <input type="checkbox"/> Covered Supplier Costs <input type="checkbox"/> Covered Worker Protection Expenditures <input type="checkbox"/> Other (explain):
PPP First Draw SBA Loan Number:		Reduction in Gross Receipts of at Least 25% (Applicants for loans of \$150,000 or less may leave blank but must provide upon or before seeking loan forgiveness or upon SBA request):	
2020 Quarter (e.g., 2Q 2020):		Gross Receipts: \$	Reference Quarter (e.g., 2Q 2019):
Gross Receipts: \$		Gross Receipts: \$	

Applicant Ownership
List all owners of 20% or more of the equity of the Applicant. Attach a separate sheet if necessary.

Owner Name	Title	Ownership %	TIN (EIN, SSN)	Address

If questions (1), (2), (4), or (3) are answered "Yes," the loan will not be approved.

Question	Yes	No
1. Is the Applicant or any owner of the Applicant presently suspended, debarred, proposed for debarment, declared ineligible, voluntarily excluded from participation in this transaction by any Federal department or agency, or presently involved in any bankruptcy?		
2. Has the Applicant, any owner of the Applicant, or any business owned or controlled by any of them, ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is (a) currently delinquent, or (b) has defaulted in the last 7 years and caused a loss to the government?		
3. Is the Applicant or any owner of the Applicant an owner of any other business, or have common management (including a management agreement) with any other business? If yes, list all such businesses (including their TINs if available) and describe the relationship on a separate sheet identified as addendum A.		
4. Is the Applicant (if an individual) or any individual owning 20% or more of the equity of the Applicant presently incarcerated or, for any felony, presently subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction? Initial here to confirm your response to question 4 --		
5. Within the last 5 years, for any felony involving fraud, bribery, embezzlement, or a false statement in a loan application or an application for federal financial assistance, or within the last year, for any other felony, has the Applicant (if an individual) or any owner of the Applicant 1) been convicted; 2) pleaded guilty; 3) pleaded nolo contendere; or 4) commenced any form of parole or probation (including probation before judgment)? Initial here to confirm your response to question 5 --		
6. Is the United States the principal place of residence for all employees included in the Applicant's payroll calculation above?		
7. Is the Applicant a franchise?		
8. Is the franchise listed in SBA's Franchise Directory? If yes, enter SBA Franchise Identifier Code here: _____		

SIGNIFICANT CHANGES - FORGIVENESS

Simplified Forgiveness

For loans of \$150K or less

- Borrowers can now use simplified 3508S
- Supporting documentation does not need to be submitted but needs to be retained

For loans over \$150K

- No major changes
- Use 3508EZ or 3508
- FTE and wage retention guidelines still apply

Covered Period

- Borrower can select covered period ranging from 8 to 24 weeks.
- Covered period for First Draw and Second Draw **CANNOT** overlap

Audits

The SBA reserves the right to review any PPP loan

DEDUCTIBILITY OF PPP FUNDED EXPENSES

- COVID Relief Act overturns IRS Rev Rule 2020-27
 - No deduction shall be denied, no tax attribute shall be reduced, and no basis increase denied, by reason of exclusion from gross income due to Section 1106 of CARES Act
 - In the case of a partnership or S corporation, any amount excluded shall be treated as tax exempt income for purposes of IRC section 705 and 1366
 - For a partnership the allocation of tax exempt income must match the allocation of related expenses

- Deductibility of expenses will also apply to other programs- PPP Second Draw, EIDL grants and advances, SBA loan relief payment, and Shuttered Venue grants

- For S-Corporations – Business owners and their shareholder should discuss with their tax advisors their stock basis of the S-corporation if the business reports a loss for tax reporting purposes. This may need be addressed if your round 1 PPP loan forgiveness is not completed by 12.31.20. The PPP Loan will not create basis until it is forgiven. If the forgiveness does not occur in the same tax year as the expenses are incurred, negative basis will disallow some of the loss until basis is restored. Shareholders do not get basis for the PPP loan while it is “outstanding”.

INTEGRATION – EMPLOYEE RETENTION TAX CREDIT (ERTC)

- Retroactive to March 2020, PPP recipients can now claim the Employee Retention Tax Credit
 - No change to calculation for limits for 2020- \$5,000 for qualified employee
 - ERTC also extended for 6 months- expanded eligibility and employee limits

- Not allowed to count the same wages for PPP and ERTC
 - Can elect to not count wages for ERTC purposes
 - No guidance on what to do on previously filed loan forgiveness applications.

- Procedures to be issued to provide how to claim credits for earlier 2020 quarters.

QUESTIONS



THANK YOU

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