



ECONOMIC
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PAYCHECK PROTECTION PROGRAM (PPP) UPDATE 1-14-2021

The [Paycheck Protection Program \(PPP\)](#) is a [Small Business Administration \(SBA\)](#) loan that helps businesses, nonprofits, veteran organizations, tribal concerns, self-employed individuals, independent contractors and other eligible borrowers keep their workforce employed during the Coronavirus (COVID-19) crisis.

PPP Round 1 opened July 6, 2020 and closed August 8, 2020 as outlined by the first [CARE's \(Coronavirus Aid, Relief, and Economic Security\) Act](#) of March 2020 and the Paycheck Protection Program Extension Act. [The Coronavirus Response and Relief Supplemental Appropriations Act 2021](#), part of the [Consolidated Appropriations Act, 2021 \(CAA 2021\)](#) of December 2020 reopened PPP, provided changes to PPP Round 1 and outlined the regulations for PPP Round 2. For more information on each round see the information below.

PPP Round 1 – July 6, 2020 to August 8, 2020

PPP loans in the first round were available through August 8, 2020. The loan amounts were equal to 2.5 times average monthly payroll costs from 12-month look-back period, up to a maximum of \$10 million.

- Up to 100% of the loan amount is forgivable IF it is spent on covered costs, employment and wage levels were maintained and employees are quickly rehired.
 - At least 60% of the loan must be spent on payroll expenses and the remaining 40% on designated business operating expenses in the “covered period” following loan origination (“covered period” was either 8 OR 24 weeks as selected by the applicant).
 - Payroll expenses included wages, health, retirement, state/local taxes and other costs, and excluded cash compensation (pro-rated) over \$100,000 per employee, workers compensation premiums, payments to independent contractors, and employer-paid federal taxes.
 - Designated business operating expenses (non-payroll expenses) included rent, utilities and interest on mortgages.
- Borrower must have been in operation, with 500 or fewer employees, on February 15, 2020.
 - Certain franchises also qualified as separate businesses.
 - 500-employee exception for Hospitality/Food Service (NAICS code 72) per physical location.
- Loans if not forgiven will have an interest rate of 1%, loans issued prior to June 5, 2020 have a maturity of two years and loans issued after June 5, 2020 have a maturity of five years, with the first payment deferred for six months, and 100% guarantee by the SBA.
- No collateral, personal guarantees, or government or lender fees were required.

To complete your PPP forgiveness process:

1. Contact your PPP lender and complete the appropriate form.
 - [SBA Form 3508 Paycheck Protection Program Loan Forgiveness Application \(Spanish version\)](#)
 - [Instructions for the SBA Form 3508 Paycheck Protection Program Loan Forgiveness Application](#)
 - [SBA Form 3508EZ Paycheck Protection Program Loan Forgiveness Application](#)
 - [Instructions for the SBA Form 3508EZ Paycheck Protection Program EZ Loan Forgiveness Application](#)
 - [SBA Form 3508S Paycheck Protection Program Forgiveness Application](#)
 - [Instructions for the SBA Form 3508S Paycheck Protection Program 3508S Forgiveness Application](#)
2. Compile your documentation. Please retain employment records for at least 4 years and all other records for 3 years.
3. Submit the forgiveness form and documentation (if necessary) to your PPP lender.
4. Continue to communicate with your lender throughout the process.

For more information on PPP forgiveness [CLICK HERE](#).

The CAA 2021 added additional clarity on the following points: see below for more information.

- Simplified forgiveness application
- Tax information
- Eligible payroll and designated business operating expenses (non-payroll expenses)
- Ineligible payroll expenses
- New Safe Harbor Deadline

PPP Round 2 – January 11, 2021 to March 31, 2021

PPP will be re-opening the week of January 11, 2021 for [new borrowers](#) and certain existing PPP borrowers. If you have already received PPP, you may be eligible for a [second draw](#). Please contact the same lending institution you previously received PPP through if you are able to.

Important Dates:

- **January 11, 2021:** Participating Community Financial Institutions will be able to accept [first draw](#) applications. See more information below.
- **January 13, 2021:** Participating Community Financial Institutions will be able to accept [second draw](#) applications. See more information below.
- **January 15, 2021:** Participating lenders with \$1 billion or less in assets will be able to accept [first](#) and [second draw](#) applications.
- **January 19, 2021:** All remaining participating lenders will be able to accept [first](#) and [second draw](#) applications.
- **March 31, 2021:** Loans are available through March 31, 2021 OR until all allocated funds are exhausted.

General Updates to PPP for Round 2:

- The “covered period” was previously 8 OR 24 weeks. Now applicants may select a duration between 8 and 24 weeks.
- There is now a Simplified Forgiveness Application for all loans under \$150,000. New PPP recipients and prior borrowers that have not already received forgiveness will complete a one-page form attesting:
 - (1) the number of employees retained through the loan;
 - (2) the estimated amount spent on payroll costs; and
 - (3) the total loan amount.
 - Supporting records do not need to be submitted with the form but must be retained for 4 years for employment records and 3 years for all other records. Please communicate with the lending institution you applied or will apply for PPP through.
- Retroactively, all PPP loans that have been received or will be received are NOT taxable AND forgiven expenses are tax-deductible.
 - Economic Injury Disaster Loan (EIDL) advances will not be deducted from PPP forgiveness for all applicants that have not completed their forgiveness process.
- Retroactively expands which types of businesses can apply for forgivable PPP loans, including:
 - 501(c)(6) organizations, other than professional sports leagues or certain organizations involved in lobbying or participating in political campaigns
 - Broadcast News Organizations
 - Housing Cooperatives (300 EEs or less)
 - Destination Marketing Organizations (300 EEs or less)
 - Businesses in Bankruptcy
 - Employers that use the Employee Retention Tax Credit (but cannot claim credit on wages paid with forgiven PPP loan money)
- CAA 2021 clarifies that the following entities are ineligible for PPP loans:
 - Entities not in operation on Feb. 15, 2020
 - Publicly-traded entities (for new loans)
 - 501(c)(6) entities that are professional sports leagues and involved lobbying or political campaigns, as noted
 - Entities that receive a “Save Our Stages” grant under CAA 2021
- Eligible payroll expenses include:
 - Compensation (salary, wage, commission, bonuses or similar)
 - PPP funds can only be used for any individual employee or sole proprietor's pay up to \$100,000 as prorated for the period during which the payment is made or incurred.
 - Payment for vacation, parental, family, medical or sick leave
 - Allowance for dismissal or separation
 - Payment for group health care benefits, including insurance premiums
 - “Other employer-provided group insurance benefits,” such as life, vision, dental and disability insurance premiums
 - Employer-paid retirement benefits, including defined benefit or defined-contribution retirement plans and employer 401(k) contributions.
 - Payment of state or local tax on employee compensation

- Eligible non-payroll expenses include:
 - Operations expenses: defined as payments for business software and cloud computing services and other human resources and accounting needs that facilitate business operations;
 - Supplier costs: defined as payments to a supplier for goods that are essential to the operations of the borrower pursuant to a contract or purchase order in effect before the PPP loan is disbursed or with respect to perishable goods, in effect at any time;
 - Worker protection expenses: expenses that go toward keeping employees safer during COVID-19, including personal protective equipment (PPE), drive-thru windows, sneeze guards and outside dining enclosures.
 - Covered property damage costs: costs related to civil unrest that occurred in 2020 that were not covered by insurance.
- Ineligible payroll expenses include:
 - Employer-portion of federal taxes
 - Compensation of employees whose principal place of residence is outside of the U.S.
 - Qualified sick and family leave for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act
 - Compensation to independent contractors
- For Accommodation and Food Services entities, the loan cap has been increased to 3.5 times the average monthly payroll costs.
- For seasonal businesses, average monthly payroll costs can be calculated using any 12-week period from February 15, 2019 through February 16, 2020. The definition of seasonal employers is an entity that does not operate for more than 7 months in any calendar year or had gross receipts in any 6-month period in the preceding calendar year that were not more than 1/3 of the gross receipts of the remaining 6 months.
- New Safe Harbor Deadline: PPP penalizes borrowers that reduce wage or employment levels during the Covered Period but provides a safe harbor that allows borrowers to exclude certain reductions.
 - For loans issues on or before August 8, 2020: Reductions occurring between Feb. 15 and April 26, 2020 are excluded if reversed by December 31, 2020.
 - For new borrowers, including second draw loans: such reductions must be reversed by the end of the “covered period.”

First Draw Loans During Round 2:

Businesses can apply for PPP loans if they have not previously received PPP.

- Businesses looking to apply for a first-time PPP loan should be in touch with their current lender, community bank or credit union to see if they are accepting applications.
- For most first-time PPP borrowers, the calculation of maximum loan amount is unchanged:
 - 2.5 times the average monthly payroll costs for the 12-month period prior to the loan application or for calendar year 2019, up to a maximum of \$10 million. Aggregation limits apply for common parents.
- Borrower is still limited to 500 employees or less that are eligible for other SBA 7(a) loans.
 - 500-employee exception for Hospitality/Food Service (NAICS code 72) per physical location.
 - Sole proprietors, independent contractors, and eligible self-employed individuals.

For more information [CLICK HERE](#).

For an overview of First Draw PPP Loans [CLICK HERE](#).

To be matched with a participating PPP lender [CLICK HERE](#). *All new First Draw PPP Loans will have the same terms regardless of lender or borrower.*

To view the First Draw PPP application [CLICK HERE](#).

Second Draw Loans During Round 2:

Any entity that qualified and received a PPP loan in 2020 will now have the chance to apply for a second PPP loan with the same general loan terms as their first draw PPP loan if they meet certain criteria. Please contact the same lending institution you previously received PPP through if you are able to.

- The maximum loan size for a second PPP loan is \$2 million, using the same 2.5 times the average monthly payroll costs calculation.
- The second draw program will offer forgivable loans to small businesses, nonprofits, sole proprietors and independent contractors if they meet these conditions:
 - (1) the company has fewer than 300 employees;
 - (2) the company had a 25% reduction in gross receipts during at least one quarter of 2020 versus the same quarter of 2019; and
 - (3) have used or will use the full amount of their first draw PPP loan.
- Existing PPP borrowers that did NOT receive loan forgiveness by December 27, 2020 may:
 - Reapply for a First Draw PPP Loan if they previously returned some or all of their First Draw PPP Loan funds or, under certain circumstances, request to modify their First Draw PPP Loan amount if they previously did not accept the full amount for which they are eligible.
 - The SBA is currently finalizing eligibility guidance on this “modified first draw” option.
- Businesses should communicate with the same financial institution where they received their original PPP loan.

For more information [CLICK HERE](#).

For an overview of Second Draw PPP Loans [CLICK HERE](#).

To be matched with a participating PPP lender [CLICK HERE](#). *All Second Draw PPP Loans will have the same terms regardless of lender or borrower.*

To view the Second Draw PPP application [CLICK HERE](#).

Looking for one-on-one technical business consulting?

Call the EDC to set up your no-cost appointment at 805.409.9159 (ENGLISH) or 805.309.5874 (SPANISH) or visit www.edcollaborative.com

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