



## COVID-19 UPDATE | FEBRUARY 2, 2021

### PPP2: THE UPDATED PAYCHECK PROTECTION PROGRAM

As part of the Consolidated Appropriations Act passed in late December 2020, the Small Business Administration (SBA) received almost \$300 million to fund additional Paycheck Protection Program (PPP) loans for small businesses, a revamped relief package that has been dubbed "PPP2". In addition to funding first draw PPP loans for small businesses who have not yet received one, PPP2 also includes funding for second draw PPP loans for borrowers who received a PPP loan but require additional relief due to the ongoing pandemic.

As of January 11, 2021, eligible businesses may submit an application for a first or second draw PPP loan through participating lenders.

#### PPP First Draw Loans

The SBA has reopened the PPP for new borrowers. Funds can be used for payroll costs; mortgage interest; rent; utilities; worker protection costs related to COVID-19 (including benefits as well as the costs of personal protective equipment and other expenses incurred to meet government-imposed COVID restrictions); uninsured property damage costs caused by looting and vandalism in 2019; as well as certain supplier costs and expenditures to suppliers that are essential at the time of purchase to the recipient's current operations. Covered operating expenditures include payments for any business software or cloud computing service that facilitates business operations; product or service delivery; the processing, payment, or tracking of payroll expenses; human resources; sales and billing functions; or accounting or tracking of supplies, inventory, records, and expenses.

- **Eligibility**

To be eligible, the borrower must have 500 or fewer employees (Nonprofits, including churches, veterans organizations, business leagues, tribal concerns, self-employed individuals, sole proprietorships, and independent contractors are included).

- **Forgiveness Terms**

Eligible borrowers will qualify for full loan forgiveness if during the 8-24 week covered period: employee and compensation levels are maintained; loan proceeds are spent on eligible expenses. For Round 2, there is greater flexibility in how PPP funding can be used. For a loan to be fully forgiven, at least 60% of PPP funds must cover qualifying payroll costs. The remaining 40% or less, if appropriate, can be used to cover a broader swath of business expenses than was allowed during the initial round of PPP lending.

- **Maximum Loan Amount**

For most new borrowers, the maximum loan amount of a first draw PPP loan is 2.5x the average monthly 2019 or 2020 payroll costs up to \$10 Million.

- **Reapplying & Loan Increases**

Existing PPP borrowers that did not receive loan forgiveness by December 27, 2020 may also reapply for a first draw PPP loan if they returned some or all of their original loan proceeds, or under certain circumstances, may request to modify their loan amount.

- **Application Deadline**

Eligible borrowers may apply for a first draw PPP loan until March 31, 2021. The updated first draw PPP application form may be found on the [US Treasury Website](https://www.treasury.gov).

## PPP Second Draw Loans

The PPP now allows certain eligible borrowers that previously received a PPP loan to apply for a second draw loan. Like the first draw loans, second draw PPP loan funds can be used for payroll costs, mortgage interest, rent, utilities, worker protection costs related to COVID-19 (including benefits), uninsured property damage costs caused by looting and vandalism in 2019, and certain supplier costs and expenses for operations.

- **Eligibility**

To be eligible, the borrower must have no more than 300 employees; must have used, or will use, the full amount of their original PPP loan on eligible costs listed above; and can demonstrate at least a 25% reduction in gross receipts between comparable quarters of 2019 and 2020.

- **Forgiveness Terms**

Eligible borrowers will qualify for full loan forgiveness if during the 8-24 week covered period: employee and compensation levels are maintained in the same manner as required for the first draw PPP loan; loan proceeds are spent on eligible expenses; and at least 60% of the proceeds are spent on payroll costs.

- **Maximum Loan Amount**

For most borrowers, the maximum loan amount of a second draw PPP loan is 2.5x the average monthly 2019 or 2020 payroll costs up to \$2 Million (For borrowers in the food services sector, the maximum loan amount for a second draw PPP loan is 3.5x the average monthly 2019 or 2020 payroll costs up to \$2 Million).

- **Application Deadline**

Eligible borrowers may apply for a second draw PPP loan until March 31, 2021. The second draw PPP application can be found on the US Treasury Website.

## PPP2 Loan Forgiveness Application Process

Another revision to the PPP that was included in the Consolidated Appropriations Act is a simplified forgiveness application for borrowers whose loans are \$150,000 or less. The EZ Loan Forgiveness Application was released by the SBA on January 19, 2021, and can be found here.

Borrowers who received a PPP loan of more than \$150,000 must fill out the standard forgiveness application, which is more complex. The PPP Loan Forgiveness Application can be found here.

If you believe you qualify for a PPP2 loan, you should notify your CPA as soon as possible, and begin to gather and review your 2019 and 2020 quarterly revenue information, as well as your 2019 and 2020 payroll information, including gross payroll, group health insurance, retirement benefits paid, employer state and local taxes, group life, vision and dental insurance.

As always, CRR is closely following all PPP developments in order to best help our clients achieve maximum loan forgiveness. Please don't hesitate to contact us at [ppp@crrcpa.com](mailto:ppp@crrcpa.com) with any questions you may have, or visit our COVID-19 Resource Center at [www.crrcpa.com/covid19](http://www.crrcpa.com/covid19) for the latest updates, alerts and impacts.

We're in this together.