

PPP Weekly Update

January 10, 2021

Who qualifies for a PPP loan under the New Act?

- **First-Draw PPP Loans:** If you never received a PPP loan, you may be eligible for a First-Draw loan of up to \$10 million, if you have:
 - Been in operation since February 15, 2020;
 - 500 or fewer employees¹; and,
 - Your organization is a nonprofit (including a church) or are eligible for other SBA 7(a) loans.
- **Second-Draw PPP Loans:** If you already received a PPP loan, you may qualify for a Second-Draw loan of up to \$2 million, if you have:
 - 300 or fewer employees;
 - Spent the full amount of your first PPP loan on eligible expenses by the time your Second-Draw loan is disbursed; and,
 - Experienced a 25% reduction in 2020 gross receipts as compared to 2019. This reduction is calculated by comparing gross receipts: (i) in any 2020 quarter with the same quarter in 2019; *or*, (ii) if you were operating in all four quarters of 2019, comparing gross receipts reported on your 2020 tax form to what you reported in 2019.² You pass this test if the reduction for any quarter or the tax year is 25% or greater.

How much can I borrow?

- In general, the maximum loan is 2.5 times your average monthly payroll costs for calendar year 2019, calendar year 2020, or the 12-month period prior to the loan. You can pick the highest! In addition, if your organization's NAICS codes starts with 72 (such as hotels and restaurants), you can receive up to 3.5 times your average monthly payroll costs on a Second-Draw loan.

When can I file for the new PPP loan?

- Starting on January 11, 2021 community financial institutions³ will be able to make First Draw Loans. These financial institutions can start Second Draw Loans on Wednesday, January 13, 2021. The PPP will open to all participating lenders shortly thereafter.

What is on the new PPP application?

- The new PPP application to be released this week. We expect you will need to document: (i) the calculation for the 25% reduction in gross receipts test; and, (ii) your average monthly payroll costs.

Where do I apply?

- Your bank, credit union or a CDFI.

Next Week's Update:

- Documentation you will need for your PPP2 loan application; and,
- Employee Retention Credit – What it is | Who qualifies | How it is calculated | How to apply

THIS UPDATE IS NOT INTENDED TO PROVIDE LEGAL OR TAX ADVICE.

PLEASE CONTACT YOUR LEGAL OR TAX ADVISOR REGARDING HOW THE CONSOLIDATED APPROPRIATIONS ACT OF 2021 IMPACTS YOUR ORGANIZATION.

¹ Accommodation and food services businesses (those with North American Industry Classification System (NAICS) codes starting with 72) qualify if they have 500 or fewer employees *per physical location*.

² "Gross Receipts" includes all revenue in whatever form received or accrued (in accordance with your normal accounting method) from whatever source (e.g. sales of products/services [net of returns], interest, dividends, rents, royalties, fees, or commissions, etc.). However, non-taxable income from the forgiveness of a PPP loan and capital gains/losses are *excluded* from gross receipts.

³ Per the SBA, community Financial Institutions are limited to: (i) Community Financial Development Institutions (CDFI); (ii) Minority Depository Institutions (MDI); (iii) Community Development Corporations (CDC); and, (iv) Microlender Intermediaries.