

PPP2 Application Processing Delays

- **Loan Application Processing Delays:** Over the past couple of weeks, the SBA has been reviewing 20% to 30% of first- and second-draw PPP loan applications for new validation checks. Last week, the AICPA noted that there are more than 40 different “error codes” causing processing delays. So, do not be surprised if your financial institution requests additional information.
- **New Loan Cap:** The SBA is capping first- and second-draw PPP loan amounts at \$35,000 per employee. This new limit could impact borrowers with employees who are receiving wages in excess of \$100,000/year plus benefits (i.e. health care and retirement) costing more than \$68,000 per year. If this new rule applies to you, your loan amount will be automatically reduced by the SBA with no explanation. If you experience a loan reduction, check with your lender.
- **No Employee Retention Credit Guidance:** We are waiting for guidance regarding how PPP1 borrowers can retroactively apply for the 2020 Employee Retention Credit (ERC). As a reminder, the ERC is a tax credit that can be worth up to \$5,000 per employee in 2020 and \$14,000 per employee in 2021. This credit is large, but the qualification rules are highly technical. So, it is prudent to wait for more guidance before determining if you qualify.

Recap

- Do not be surprised if you experience documentation requests and processing delays with your PPP2 loan application.
- If you have highly paid staff with generous benefit packages, your loan amount might be automatically reduced by the SBA.
- We will review the Employee Retention Credit as soon as the SBA provides more guidance.

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.