

PPP ROUND 2

OVERVIEW OF PAYCHECK PROTECTION PROGRAM ROUND 2

AND OTHER TAX MATTERS

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REDUCED QUALIFICATIONS – 2ND DRAW

300 employees or less

25% reduction in gross receipts for any quarter in 2020 (compared to same quarter in 2019)

- EIDL and PPP aren't included in gross receipts
- Appears to be based on a calendar quarter
- Accrual or cash – use your normal method (following tax returns)
- Documentation required

Has used or will use full amount of 1st draw (including any increases taken on 1st draw)

CALCULATION – 2ND DRAW

Loan Amount:

- Same as 1st draw – 2.5 times average monthly payroll costs
- Restaurants, Hotels, etc. (NAICS Code 72) at 3.5 times average monthly payroll
- Can use either 2019 payroll or 12 months prior to application (whichever is better)
- \$2 million maximum loan amount

Covered Period:

- Choose a covered period between 8 and 24 weeks
- Loans available through March 31, 2021

1ST DRAW BORROWERS

500 or few
employees

- \$10 million
loan max

Adds 501(c)(6)
organizations

- 300 or less
employees

PPP INELIGIBILITY

- Businesses not in operation on February 15, 2020
- Entities receiving Shuttered Venue Operator Grants
- Publicly-traded businesses
- Lobbying organizations
- Entities affiliated with entities in the People's Republic of China (20% "equity interest")
- Others (legal gambling is OK, others)

LOAN FORGIVENESS

- Same as PPP Round 1 (payroll, rent, utilities, mortgage interest)
- PPE and costs to comply with COVID-19 federal health and safety guidelines
- Supplier costs: Expenditures to a supplier that are essential to the recipient's current operations
- Operations expenditures: software, cloud computing, other HR/Accounting
- Property damage costs: related to 2020 public disturbances not covered by insurance
- **Applies to original PPP loans and new PPP loans** (unless forgiveness has already been processed)
- 60/40 split between payroll and non-payroll is maintained for 1st and 2nd draws

SIMPLIFIED FORGIVENESS

- For loans \$150,000 or less
- SBA has 24 days to prepare the form
- # employees retained
- Estimate of loan amount spent on payroll
- Retain records (4 yr for employment, 3 yr for other)
- Still required to provide documentation to substantiate loss of revenue

TIMING EXPECTATIONS & NEXT STEPS



SBA/Treasury issue forms/guidance 1st week in January (issued 1/6/21)



SBA start receiving applications 2nd week in January



Lender options

Original lender – check if they are funding round 2 and if they have special requirements?

Alternative lenders – **contact us if you need referrals**, we've partnered with lenders to service our clients and community

OTHER KEY PROVISIONS IN THE BILL

- PPP expenses are Deductible! Now truly non-taxable for federal taxes (CA does not conform)
- Repeal EIDL Advance deduction from PPP forgiveness
- Extension of subsidy by SBA of other 7(a) loans
 - 3 months beg. Feb 2021
 - Capped at \$9k/month
 - Underserved will receive 5 more months
 - **Tax treatment consistent with PPP**

EMPLOYEE RETENTION CREDIT (ERC) & PAID SICK AND FAMILY LEAVE CREDITS

- Employee Retention Credit (ERC) – now available to PPP fund recipients (use different wages) and extended! For 2021, the credit is calculated:
 - Credit % increased to 70% (from 50%)
 - Max credit increased to \$10k per quarter (from \$10k total)
 - Decrease in gross receipts reduction test to 20% (from 50%)
 - Increase in employer size to 500 employees (from 100)
- Paid sick and family leave credits – optional extension through end of March 2021

QUESTIONS?

Polito Eppich Associates LLP

<https://politoepich.com/covid19-resources>

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