



# **The Small Business Owner's Complete Guide to Access Paycheck Protection Program (PPP) Round 2**



## WHO CAN APPLY?

Small businesses, sole proprietors, independent contractors and others that previously received a PPP loan can apply for a second draw PPP loan that were in operation on February 15, 2020, with fewer than 300 employees.





## HOW TO APPLY?

**Revenue Losses:** Showing a gross receipts loss of 25% or more across a calendar quarter, when compared to an applicable time period.

**Gross Receipts:** Showing a 25% or more decrease from the gross receipts comparing quarterly 2019 to 2020 including whatever form received or accrued from whatever source.

It cannot include:

- A forgiven PPP loan
- Taxes collected for and remitted to a taxing authority if included in gross or total income
- Proceeds from transactions between a concern and its domestic or foreign affiliates
- Amounts collected for another by a travel agent, real estate agent, advertising agent, conference management service provider, freight forwarder or customs broker.
- Subcontractor costs
- Reimbursements for purchases a contractor makes at a customer's request
- Investment income
- Employee-based costs such as payroll taxes

Documentation is required for all applicants above \$150,000+ loans.

Lenders must also conduct a “good faith review” of all documentation for forgiveness.

An eligible business may have been temporarily “closed” or not in business for a portion of time due to COVID-19 and can still qualify for a second draw PPP. Applicants should have received and exhausted a first draw PPP loan for eligible expenses before receiving a second draw.



## HOW MUCH CAN I GET?

The maximum PPP second draw loan available to any business is \$2 million  
Eligible NAICS 72 restaurant or hotel including new entities and seasonal business.

1. Choose an average monthly payroll from 2020 or 2019
2. Multiply that figure by 3.5

## Seasonal business

- It operates seven months or less per year
- It operates seven months or less per year or in the preceding calendar year
- Has gross receipts for any six months of the year that were not more than 33.33% of the gross receipts of the business for the other six months of such year.





## WHEN CAN I GET IT?

PPP will re-open the week of January 11th for new borrowers and certain existing PPP borrowers. Initially only community financial institutions will be able to make First Draw PPP Loans on Monday, January 11th, and Second Draw PPP Loans on Wednesday, January 13.

SBA has authority to issue loans under the PPP second draw through March 31, 2021. Existing “set aside” funds are for:

- New and smaller borrowers
- Borrowers in low- and moderate-income communities
- Community and smaller lenders.



## ABOUT LOAN FORGIVENESS

An applicant selects a covered period between 8 and 24 weeks at the election of the borrower. The applicant must use at least 60% of the PPP proceeds for payroll expenses, and no more than 40% of the proceeds for non-payroll expenses.

### Forgivable Expenses for Payroll:

- Salary, wages, commissions, cash tips or the equivalent
- Payment for vacation, parental, family, medical, or sick leave.
- Allowance for separation or dismissal.
- Payment for the provision of employee benefits consisting of group health care or group life, disability, vision, or dental insurance, including insurance premiums, and retirement.
- Payment of state and local taxes assessed on compensation of employees.
- For an independent contractor or sole proprietor, this includes wages, commissions, income, or net earnings from self-employment, or similar compensation.

### Not applicable for:

- Employees living outside the U.S.
- Compensation of an employee in excess of \$100,000 per year
- Federal employment taxes imposed or withheld during the applicable period
- Income taxes required to be withheld from employees
- Qualified sick and family leave wages through the Families First Coronavirus Response Act.

## Eligible/Forgivable Expenses for Non-Payroll Expenses:

- Rent payments;
- Mortgage interest payments (but not mortgage prepayments or principal payments);
- Utility payments;
- Interest payments on any other debt obligations incurred before February 15, 2020;
- Refinancing an SBA EIDL loan made between January 31, 2020 and April 3, 2020;
- Operations expenditures
  - Payments for any business software or cloud computing
  - Service for 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
- Property damage costs related to vandalism or looting due to public disturbances that occurred during 2020, not covered by insurance or other compensation;
- Supplier costs for goods that are essential to the business' operations at the time when the expenditure is made and is made for a contract, order, or purchase order
  - In effect at any time before the covered period with respect to the second draw loan; or
  - With respect to perishable goods, in effect before or at any time during the covered period with respect to the applicable covered loan.
- Worker protection expenditures are defined as: operating or capital expenses to adapt business activities to comply with guidance from federal agencies (HHS, CDC, OSHA), or any equivalent guidance from a state or local government, during the period beginning on March 1, 2020 until the national COVID-19 emergency expires related to new standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19. These expenditures include:
  - Purchase, maintenance, or renovation of assets to create or expand a drive-thru window facility
  - An indoor, outdoor, or combined air or air pressure ventilation or filtration system
  - A physical barrier such as a sneeze guard
  - An expansion of additional indoor, outdoor, or combined business space
  - An onsite or offsite health screening capability
  - Other "assets" determined by SBA
  - Particulate filtering facepiece respirators approved by the NIOSH, including those approved only for emergency use authorization
  - Other kinds of personal protective equipment, as determined by SBA





## **PPP loans of up to \$150,000 will be forgiven if the PPP borrower:**

1. Submits simple, one-page certification with a description of the number of employees the eligible recipient was able to retain and the estimated amount of the covered loan spent by the eligible recipient on payroll costs.
2. Affirms that the borrower accurately provided the one-page certification and complied with PPP requirements; and retains records to comply with requirements.





## TAX DEDUCTIBILITY

Allowable business expenses paid with PPP funds, from round one or two, are now tax deductible.

## TERMS

- The federal guarantee percentage remains at 100% of the loan, with no collateral or personal guarantees required by borrowers.
- The interest rate is 1%, calculated on a noncompounding, non-adjustable basis.
- The loan maturity is five years.
- Loans will be processed by lenders under “delegated authority,” as lenders can rely on borrower

## Affiliation rules waivers

Each hotel or restaurant location “owned by a parent business is a separate legal business entity and employs not more than [300] employees, each hotel or restaurant location is permitted to apply for a separate PPP loan provided it uses its unique [employer identification number] EIN.”

## Corporate Group Limit

“Single corporate group” cannot receive more than \$4 million in the aggregate.

### MORE INFO

[Interim Final Rule on Second Draw Loans \(Released 1/6/2021\)](#)

[SBA Guidance on Accessing Capital for Minority, Underserved, Veteran and Women- Owned Business Concerns \(Released 1/6/2021\)](#)

[Interim Final Rule on Paycheck Protection Program as Amended by Economic Aid Act \(Released 1/6/2021\)](#)



# THE IS HERE TO HELP YOUR SMALL BUSINESS

- If you have a business bank account, reach out to your bank.
- If you don't have a business account at a bank, call us. We have contacts with regional banks and a credit union that can help you.
- If you have been turned down by any banker, call us, we'll help you.
- All types of information requests are answered through [info@ihccbusiness.net](mailto:info@ihccbusiness.net)
- Any questions please don't hesitate to call us, we'll help you.
- 100% of the IHCC's staff is working from home, making calls, participating in virtual conferences and communicating via email with members, partners, and clients who require assistance.

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