

Paycheck Protection Program Round 2 (PPP2)

The Paycheck Protection Program Round 2 (PPP2) provides forgivable loans to help businesses keep their workforce employed during the Coronavirus (COVID-19) crisis.

More information can be found on the SBA PPP2 website found [HERE](#).

When Do I Apply?

- The original deadline was Wednesday, March 31st.
- **Congress has extended the program by two months. The current deadline is Monday, May 31st, or when funds are depleted.**

How Do I Apply?

- Applications for PPP2 are made through private financial institutions approved for lending by the SBA (*banks, credit unions, and financial technology companies*)
- You will complete the entire application online through these private lenders' websites.

How Do I Calculate How Much Money I Get?

- Maximum loan amount is 2.5 times of your average monthly payroll expenses for the year 2019.
- **IMPORTANT: Self-Employed can now use their Gross Revenue to calculate their PPP.**
 - **How Do I Take Advantage of This Gross Revenue Rule?**
 - Originally, Self-Employed could only use Net Profit/Loss (Line 31 of your Schedule C) to calculate owner's "salary". This punished entrepreneurs who operated at a loss or a slim margin in 2019.
 - You can now use your Gross Revenue (Line 7 of your Schedule C) to calculate the owner's portion of the PPP calculation
 - This applies to all who file a Schedule C (Form 1040): Sole Proprietors with or without employees, 1099 Independent Contractors, Self-Employed, etc.
 - If you thought you were not eligible for the PPP, or you thought PPP was not worth it because of your Net Profit/Loss, you may be eligible now!

- **Who Can I Apply To?**

- The following list of lenders are ones we have confirmed are using the Line 7 Gross Revenue Rule:

BlueVine: <https://www.bluevine.com/paycheck-protection-program/>

Cross River: <https://www.crossriversba.com/>

Lendistry: <https://lendistry.com/partner/pidc/>

PayPal: <https://www.loanbuilder.com/ppp-loan>

- This list is not exhaustive, there are other lenders available. However, many lenders are refusing to use the new rules so please confirm if they will allow you to use Line 7 of your Schedule C. Do **not** complete and submit your PPP application if they ask for your Line 31. Otherwise, you will receive the smaller Net Revenue amount.

- **But I Already Received PPP Funds With Only Net Revenue. Can I Expand My Loan?**

- Currently, the SBA has ruled that they will **not** allow you to expand your PPP loan if you have already received it.
- Several small business and community organizations are voicing their outrage on this SBA ruling. We encourage you to contact your **U.S. Representative** to make them aware of this punishing of businesses who applied early.



Who Should I Apply Through?

- If you had a good experience with a lender last year for PPP1, you may want to stick with them
- If a larger bank ignored you and caused your application to be delayed or even canceled, you may want to try a smaller credit union focused on the community
- You do **not** need to have an existing bank account in order to apply with a lender. However, some banks **may** choose to prioritize their existing customers.
- We have found that applying through Financial Technology (“*FinTech*”) company lenders have been the most responsive to “micro” small businesses under 50 employees. Most will begin accepting applications on Tuesday, January 19th. These include but are not limited to companies such as:
 - BlueVine: <https://www.bluevine.com>
 - Cross River: <https://www.crossriversba.com/>
 - Funding Circle: <https://www.fundingcircle.com/us/>
 - Lendistry: <https://lendistry.com/partner/pidc/>
 - PayPal: <https://www.loanbuilder.com/ppp-loan-support>
 - Square: <https://squareup.com/us/en/capital/sba-ppp-loans>

Second-draw PPP loans

If you received a PPP loan in 2020, you can apply for a “second-draw” if you meet **all** criteria below:

- Have 300 or fewer employees.
- Used or will use the full amount of your PPP1 loan before receiving PPP2; used PPP1 loan only on eligible costs.
- Suffered a 25% or more drop in revenue when comparing any 2020 quarter to the same 2019 quarter.
- (you do **not** need to have your PPP1 loan forgiven yet to receive PPP2)

First-draw PPP loans

If you have not received a PPP loan before, you can apply for a “first-draw” if you meet **all** criteria below:

- Established on or before Feb 15, 2020 (“*pre-pandemic*”)
- Have 500 or fewer employees.
- Are one of the Eligible Organization Types.



Eligible Organization Types

- Corporations (*C-Corp, S-Corp; LLC; etc.*)
- General Partnership
- Sole Proprietorship
- Independent Contractor
- Self-employed Individual
- 501(c)(3) nonprofit; 501(c)(6) nonprofit; 501(c)(19) veterans' organization
- Tribal Business

Calculating Total Loan Amount

- Maximum loan amount is 2.5 times of your average monthly payroll expenses for the year 2019.
- This includes any retirement/health insurance/benefits/employer tax contributions.
 - As a business or nonprofit with employee payroll, most lenders will calculate your average monthly payroll through your 2019 IRS form 941.
 - As an independent contractor, most lenders will calculate your average monthly payroll through your 2019 IRS form 1099.
 - As a self-employed individual, most lenders will calculate your average monthly payroll through your 2019 Schedule C (*also referred to as Form 1040*).
- Calculating Seasonal Businesses
 - You may claim your business as seasonal if your gross receipts for any 6 months of 2019 were not more than 33% of the gross receipts for the other 6 months of that year. Or if you are only open for any 7 months each year.
 - For seasonal businesses, you may calculate average monthly payroll using any 12-week period between February 15, 2019 and February 15, 2020.
- Increased Assistance for Accommodation and Food Services Businesses
 - For borrowers in the Accommodation and Food Services sector, the maximum loan amount for a Second Draw PPP Loan is increased to **3.5x** average monthly 2019 or 2020 payroll costs up to \$2 million.
 - Applies to all business with an NAICS Code beginning in "72". (*click [HERE](#) to explore the eligible types of businesses*)
 - Only applies to Second-draw PPP loans, **not** First-draws.



Eligible Costs

- Payroll (**must** make up at least 60% of all costs)
- Rent/mortgage interest
- Utilities
- Certain costs to comply with COVID-19 federal health and safety guidelines. (*facility modification costs, employee PPE, etc.*)
- Certain property damage costs related to vandalism or looting due to public disturbances in 2020 that were not covered by insurance.
- Costs to pay suppliers that are essential to your current operations.
- Certain operating costs to purchase business software or tech services that allow you to perform socially distanced operations. (*product or service delivery; digital or online sales; digital payment, payroll, human resources, accounting, inventory, records, etc.*)

What Do I Do If My Employees Won't Come Back?

- The purpose of the PPP is to provide payroll for your workforce. You must spend at least 60% of your PPP funds on payroll.
- Your business does not have to be open to use PPP funds. You are allowed to pay employees to simply shelter in place if you are unable to open.
- If an employee cannot or will not come back, you should document a letter or email offering to rehire them and document their refusal.
 - Note: refusal could possibly disqualify an employee from unemployment benefits.
- If you have extra PPP funds because an employee won't come back to work, you may:
 - Hire a new employee
 - Increase the payroll of your current workforce
 - Give back this portion of the funds to the SBA
 - Keep this portion of the funds as a 1% loan

Full Forgiveness Terms

The 1% interest, 5-year loan will be fully forgiven if you meet **all** criteria below:

- Must spend funds once you receive them over a “covered period” of 8- to 24-weeks.
- Must spend funds on eligible costs only.
- Must spend at least 60% of the funds on payroll.
- Must rehire all of your employees at their normal rates. (*see exceptions explained above*)



Simplified Forgiveness Process

- This new process applies to both old **and** new PPP loans.
- If you receive a PPP loan of \$150,000 or less, the forgiveness process will include a signed certification that is not more than one page in length.
- You are required to retain relevant records for four (4) years, as the SBA reserves the right to audit loans to check for fraud.

Other Important Changes to PPP

- You no longer must choose between the PPP and the Shuttered Venue Operators Grant (SVOG)
 - You may apply for **both** if you want to. If you receive both, the amount you received in PPP funds will simply be subtracted from your total SVOG grant.
- Congress made clear that a forgiven PPP loan is **completely tax-exempt** and is not taxable income.
 - California is making **the first \$150,000** of your PPP loan tax-exempt.
- Eligible business costs paid for with PPP funds **can** now be claimed as business expenses in your taxes.
- You are now allowed to apply for both a PPP loan **and** take advantage of **Employee Retention Tax Credit (ERTC)**.
- Employee health insurance benefits are now included in PPP payroll calculations. (*including life insurance, disability benefits, vision, dental, etc.*)
- If you received PPP and the EIDL Advance (*emergency SBA funds of \$1,000 per employee*), you do **not** have to reduce your PPP loan forgiveness by the EIDL Advance.
- Set-Asides for minority, underserved, veteran, and women-owned businesses.

Out of the \$284 billion total, there will be certain pots of PPP funds set aside for new and smaller borrowers, and for community and smaller lenders:

Let us know if you have more questions!

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