

Paycheck Protection Program (PPP) and Small Business Relief

On December 27, 2020, legislation was signed in to law to supply the latest round of COVID-19 relief, authorizing more than \$900 billion in economic aid to small businesses and consumers. The summary below focuses on a few key provisions impacting small businesses while omitting significant provisions on many other important topics.

PPP First Draw Changes

- Re-opens the PPP for first time recipients, with an expansion of eligible entities including 501(c)(6)s, destination marketing organizations (DMOs), housing cooperatives, newspapers, broadcasters, and radio stations. Prohibits publicly traded companies from receiving PPP funds as well as those entities receiving a Shuttered Venue Operator Grant. Clarifies that a business must have been in operation on February 15, 2020.
- Expands list of eligible expenses to include covered operations (software, cloud computing, and other human resources and accounting needs); property damage costs due to public disturbances that occurred during 2020 that are not covered by insurance; covered supplier costs; and covered worker protection expenditures (PPE).
- The covered period for all first draw loans is extended to March 31, 2021 and is retroactive to the start of the CARES Act. Borrowers may choose the end of their forgiveness covered period between 8 and 24 weeks after the loan origination.

PPP Second Draw Creation

- Second Draw of PPP funds for small businesses with 1) 300 or fewer employees that 2) have sustained a 25% drop in revenue in any quarter of 2020 when compared to the same quarter in 2019. A business must use or have used the full amount of their first PPP loan.
- Maximum loan amount is 2.5 times the average monthly payroll based on the 2019 calendar year or a one year look back, capped at \$2 million. NAICS 72 Businesses (Accommodations and Food Services) can receive 3.5 times average monthly payroll, capped at \$2 million.
- Eligible entities must be businesses, certain non-profit organizations, housing cooperatives, veterans' organizations, tribal businesses, self-employed individuals, sole proprietors, independent contractors, and small agricultural co-operatives.

PPP Forgiveness

- Creates a simplified PPP loan forgiveness application for loans under \$150,000 whereby the borrower signs and submits a one-page certification to the lender. The form requires the borrower to list the loan amount, the number of employees retained, and the estimated total amount of the loan spent on payroll costs.
- The borrower must attest they have accurately supplied the required certification and followed relevant requirements in the program. Borrowers must keep employment records for four years and other records for three years. Borrowers may submit voluntary demographic information.

Tax Relief

- Supplies tax relief for borrowers on forgiven PPP loans by overriding Treasury/IRS guidance that disallowed the deductibility of qualified expenses related to the forgiveness (**borrowers should consult with a tax professional**).

EIDL (Economic Injury Disaster Loan) Advance Program

- Offered directly by the SBA (<https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>).
- Provides \$20 billion to restart and extend the SBA's EIDL Advance Grant for small businesses in low-income communities.
- Creates a process for existing EIDL Advance grantees that received less than \$10,000 to reapply for the difference between what they received and the maximum EIDL Advance Grant of \$10,000.
- Repeals section 1110(e)(6) of the CARES Act, which requires PPP borrowers to deduct the amount of their EIDL advance from their PPP forgiveness amount. Clarifies this change is retroactive to the start of CARES. Requires SBA to make borrowers whole if they have already received forgiveness and the EIDL Advance was deducted from that amount.

Source: American Bankers Association