

# “SECOND DRAW” PPP & OTHER SMALL BUSINESS PROGRAM CHANGES



## HOW DO THE NEW CHANGES IMPACT MY EXISTING PPP LOAN?

### TAX TREATMENT

Regular business expenses paid for with PPP loan proceeds shall be deductible for tax purposes (applies to past and future loans). Additionally, expenses used to apply for the loan are tax deductible.

**Eligible expenses for Forgiveness have been expanded.** This includes operations expenditures, worker protection expenditures, supplier costs, and property damage costs. Worker protection expenses include costs incurred to comply with public health guidance related to COVID-19.

*Note: No more than 40% of the forgiven amount can be for non-payroll costs*



### LOAN FORGIVENESS REDUCTION

If you also received an **EIDL grant**, your PPP loan forgiveness will **no longer be reduced** by the amount of the grant.

### LOAN FORGIVENESS PERIOD



The period for which expenses count toward loan forgiveness will

**BEGIN ON THE DATE OF LOAN ORIGINATION**

and end on a date of your choosing that is

**BETWEEN 8 & 24 WEEKS**

after origination.

## WHAT IF I'VE ALREADY EXHAUSTED MY INITIAL PPP LOAN? CAN I APPLY AGAIN?

The “Second Draw” program is for eligible entities who have exhausted their initial PPP loan.

The program will make new loans through March 31, 2021 or until the new funding is exhausted.

### ELIGIBILITY (IF AN ENTITY HAS)

- **Exhausted** their first PPP loan
- **300** employees or less
- Experienced a **greater than 25% reduction** in gross receipts in any quarter in 2020 relative to the same quarter in 2019

### LOAN AMOUNT

The maximum loan amount of a Second Draw PPP Loan is 2.5x average monthly 2019 or 2020 payroll costs up to \$2 million. For borrowers in the Accommodation and Food Services sector, the maximum loan amount is 3.5x average monthly 2019 or 2020 payroll costs up to \$2 million.

# LOAN FORGIVENESS

## FULL FORGIVENESS TERMS

Second Draw PPP Loans made to eligible borrowers qualify for full loan forgiveness if during the 8 to 24 week covered period following loan disbursement:

- Employee and compensation levels are **maintained in the same manner** as required for the First Draw PPP loan.
- The loan proceeds are **spent on payroll costs and other eligible expenses**; and
- At least **60 percent of the proceeds** are spent on payroll costs.

## ANY OTHER PROGRAM CHANGES THAT MAY HELP MY SMALL BUSINESS?

### EXPANDED EMPLOYEE RETENTION TAX CREDIT

The new law significantly expands:



- **THE CREDIT AMOUNT**

The new credit is 70% on \$10,000 in wages per quarter (or a maximum \$14,000 per employee through June 30.) The credit expires on June 30, 2021. The prior credit was 50% on \$10,000 in qualified wages for the whole year (or a maximum of \$5,000 per employee.)



- **ELIGIBLE EMPLOYERS**

Previously, the employee retention tax credit applied only to an employer who experienced a decline in gross receipts of more than 50% in a quarter compared to the same quarter in 2019. Eligibility is now expanded to include employers who experience a decline of more than 20%.



- **EMPLOYEE CAP**

Businesses that have up to 500 employees may take advantage of this tax credit, up from 100 employees.

Employers can now also receive both the Employee Retention Tax Credit and a PPP Loan, just not to cover the same payroll expenses. **Remember: This is a refundable tax credit.**

### EIDL GRANTS

The new law reopens the \$10,000 EIDL Grant program. Priority for the full amount of the EIDL grant will be given to small businesses with no more than 300 employees, located in low-income neighborhoods, who have experienced a 30% reduction in gross receipts during any 8-week period between March 2, and December 31, 2020 compared to a comparable 8-week period before March 2. If you meet this description and received a grant that is less than \$10,000 you can reapply to receive the difference.

*This is not a comprehensive overview of all the updated programs. It is recommended that you consult with your tax or payroll professionals to better understand how these programs could apply to you. Additionally, please visit the U.S. Chamber's website for full details.*

<https://www.uschamber.com/report/guide-small-business-covid-19-emergency-loans>