



PIECES OF THE PUZZLE

January 2021

CORONAVIRUS RESPONSE AND RELIEF SUPPLEMENTAL APPROPRIATIONS ACT, 2021 (“THE ACT”)

Paycheck Protection Program (“PPP”) Second Draw Rules

As most of you are aware, the President signed the Act which appropriated \$284 billion (for a total of \$943 billion since the CARES Act) for a second round of PPP loans. The Act, as reported, was over 5,000 pages. We have tried to summarize the rules for a second PPP round below:

- 1) Small businesses with less than 300 employees and a 25% or more drop in gross receipts for a calendar quarter (as compared to the prior applicable calendar quarter) may be eligible for a second PPP loan **if they meet the necessity requirement.**
 - The 1st quarter of 2019 as compared to the 1st quarter of 2020.
 - The 2nd quarter of 2019 as compared to the 2nd quarter of 2020.
 - The 3rd quarter of 2019 as compared to the 3rd quarter of 2020.
 - The 4th quarter of 2019 as compared to the 4th quarter of 2020.
- 2) The loan will be for 3.5 times the average monthly payroll (instead of 2.5 times) for restaurants, hotels, motels, and certain other food, and lodging businesses.
- 3) Borrowers can elect to calculate the second round based on 2.5 times the average monthly payroll costs during any 12-month period ending prior to that date of the loan or the 2019 calendar year.
- 4) March 31, 2021 new deadline to apply for and receive a PPP Loan.

In addition to a second round of funding, changes to the PPP loan program have been made as follows:

- 1) Additional eligible expenses that qualify for forgiveness are added in addition to rent, interest, and utilities which are already forgivable as “40% expenses.”
- 2) Borrowers may select the end of their covered period **any time** between 8 – 24 weeks from receipt of loan.
- 3) Simplified Loan Forgiveness process for borrowers with less than \$150,000 of loans.
- 4) Payroll costs now include employer payments for **group** life, disability, vision, and dental insurance payments.
- 5) Borrowers can amend their original application to request increased loan amount due to changes in PPP loan rules if the original loan amount was less than amount that would have otherwise applied.
- 6) For the purposes of calculating covered payroll expenses, an owner’s \$100,000 salary/wage limitation now applies on an annualized basis.
- 7) EIDL Advances are non-taxable and will not reduce PPP loan forgiveness.
- 8) No eligibility for PPP loan if the business was not in operation before February 15, 2020.
- 9) All existing safe harbors and exceptions for reduction in employee headcount (FTEs) remain, and the Act further provides that the SBA may modify dates of safe harbors to comply with intent of PPP.
- 10) Act makes it clear the Schedule F Farmers are eligible for PPP loans based on 2019 Schedule F income.
- 11) 501(c)(3) entities (Chambers of commerce, business leagues, real-estate boards, boards of trade, with the exception of sports teams) are eligible to receive a PPP loan if they meet the necessity requirement.
- 12) Borrowers in bankruptcy can apply for PPP loans with court approval.
- 13) Can received both PPP and Employee Tax Retention Credit! Do not file PPP 2020 forgiveness application until you are clear on whether it could cause loss of Employee Tax Retention Credit.

Please contact our office with any further questions you might have.

Howard & Company

CERTIFIED PUBLIC ACCOUNTANTS, P.A.

4745 Sutton Park Court, Suite 102
Jacksonville, Florida 32224

Phone: (904) 421-0690

Fax: (904) 421-0691

www.howard-cpa.com