

# PPP is reopening. What's different?

*A high-level look at the Paycheck Protection Program 2.0*

## What is the Paycheck Protection Program?

The Paycheck Protection Program (PPP) is a loan program that helps small businesses keep their people employed and on payroll. It originated from the CARES Act (a stimulus package signed into law in March 2020) that provided \$350 billion to fund the first wave of PPP loans.

**How does it work?** Through a local lender, eligible businesses can apply to borrow PPP funds to sustain their business. If the funds are spent according to guidelines set by the Small Business Administration, then the loans can be fully forgiven and do not need to be repaid. If forgiveness criteria are not met, then the funds turn into a low-interest loan.

**What's the latest?** In December 2020, a new COVID-19 relief package was signed into law that provides an extra \$284 billion to fund a second round of PPP funding. Participating lenders are accepting PPP loan applications between January 11 and March 31.

**Key dates:** **January 11-12** - Early access for *first-time* PPP loans at community financial institutions (CFI) // **January 13-14** - Early access for *second-time* PPP loans at CFIs // **January 19** - All other lenders to begin accepting PPP2 applications from eligible businesses // **March 31** - Last day to apply for a PPP2 loan.

ELEMENT	KEY DETAILS	DIFFERENT FROM ROUND 1?
<b>LOAN AMOUNT</b>	<b>2.5-3.5X</b> your average monthly payroll based on industry	<b>Yes</b> Certain industries like restaurants are eligible for a larger amount in the second draw.
<b>MAXIMUM AMOUNT</b>	<b>\$2-10 Million</b> First-time borrower: \$10M cap; Second-time borrower: \$2M not to exceed \$10M if first loan taken	<b>Yes</b> , if this is your second loan; there was a \$10M cap for the first round of funding.
<b>ELIGIBILITY CRITERIA</b>		
<b># OF EMPLOYEES</b>	<b>&lt;300</b> Restaurant and lodging businesses meet this if they have <300 employees per location.	<b>Yes</b> , the original employer size limit was 500 employees.
<b>REVENUE LOSS</b>	<b>25% loss</b> in gross receipts for any calendar quarter of 2020 when compared with the same quarter in 2019 for second time borrowers.	<b>Yes</b> , this eligibility threshold was not in the original PPP.
<b>501(c)6</b>	<b>Certain non-profits</b> with < 300 employees are eligible if they do not receive more than 15% of their revenue from federal lobbying activity.	<b>Yes</b> , this is a new eligibility category.
<b>FORGIVENESS CRITERIA</b>		
<b>FORGIVENESS STRUCTURE</b>	<b>60%/40%</b> PPP second draw loans are forgivable when spent on eligible expenses (60% payroll/40%non-payroll).	No
<b>COVERED PERIOD</b>	<b>8 to 24 weeks</b> Funds must be spent within 8 to 24 weeks from loan origination at the borrower's choice.	<b>Yes</b>

[Schedule your free business consult](#) to see how ProService can help your business.



<b>FORGIVABLE EXPENSES</b>	<p><b>PPE, TDI, cleaning</b></p> <p>New eligible PPE, cleaning products/services, supplier costs etc. are now forgivable non payroll expenses. Temporary Disability Insurance is now considered a forgivable payroll cost.</p>	Yes, these are newly eligible PPP expenditures.
<b>TAX TREATMENT</b>	<p><b>Tax deductibility</b></p> <p>Businesses using PPP funds for allowable business expenses can deduct these expenditures from their taxes for both round one and second draw PPP loans.</p>	Yes, the new law restores deductibility which was previously denied by the Department of Treasury.
<b>STREAMLINED APPLICATION</b>	<p><b>&lt;\$150,000</b></p> <p>A simplified two-page process will be available for borrowers of \$150,000 or less to streamline loan forgiveness.</p>	Yes
<b>OTHER DETAILS</b>		
<b>EIDL DEDUCTIONS</b>	<p><b>Repealed</b></p> <p>The law repeals the provision that required PPP borrowers to deduct their Economic Injury Disaster Loan (EIDL) advance grant from their PPP loan forgiveness amount.</p>	Yes, this was achieved through a correction of the CARES Act.
<b>MORE SUPPORT FOR SMALL BUSINESSES</b>	<p><b>&lt;10 employees</b></p> <p>The law includes new support for first-time and second draw PPP borrowers with 10 or fewer FTEs, first time PPP borrowers who have been made newly eligible, and second-time returning borrowers.</p>	Yes, this is new.
<b>LOBBYING</b>	<p><b>Not allowed</b></p> <p>Prohibits PPP loan proceeds to be used for lobbying activities.</p>	Yes, this is new.

# Frequently Asked Questions:

**Q: Can my business apply for PPP2 funding if I already received PPP1 funding?** Yes, it's open to all eligible first and second time PPP borrowers. However, applicants for a second loan must certify that "current economic uncertainty makes this loan request necessary to support the ongoing operations of the applicant."

**Q: I haven't spent all my PPP1 funds, am I eligible to apply for a PPP2 loan?** Yes, however you must use all your PPP1 funds before your PPP2 funds are disbursed.

**Q: Do new PPP2 rules apply for PPP1 forgiveness?** As long as your first loan has not yet been forgiven, you can apply the forgiveness rules for PPP2 to PPP1 with the following exceptions: 1) Must stick with the 8 OR 24 week Covered Period (or Alternate Covered Period as defined in the Forgiveness App for PPP1; and 2) If your loan amount is <\$150K, there is a simplified loan forgiveness app that you can use when released.

**Q: I started a business in 2020, can I apply?** If you started the company prior to February 15th 2020 then yes you can apply for PPP. If it is later than, you will not qualify.

**Q: Who needs to show a 25% reduction in gross receipts?** Only second-time PPP borrowers need to demonstrate this need. If you are a first-time PPP borrower you do not need to show a 25% decline in revenue.

**Q: How is the 25% reduction in revenue calculated?** It can be compared in two ways: Comparing annual gross receipts between any quarter in 2019 with the same quarter in 2020. Or, by comparing annual gross receipts between 2019 and 2020 as reported on a completed tax return.

**Q: What do gross receipts include?**

Generally, receipts are considered "total income" plus "cost of goods sold" and excludes net capital gains or losses. The SBA defines gross receipts as: All revenue in whatever form received or accrued (in accordance with the entity's accounting method) from whatever source, including from the sales of products or services, interest, dividends, rents, royalties, fees, or commissions, reduced by returns and allowances.

**Q: If my business meets the 25% reduction criteria but was profitable in 2020, do I qualify?** If overall you are profitable, you *could* be ineligible. Second round applicants will need to certify that current economic uncertainty makes the loan request necessary to support the ongoing operations of the business. We are not certain how strictly the SBA/Lenders will conform to the 25% requirement. Our advice is to go ahead and still apply and see if your Lender comes back with any follow-up questions.

**Q: Is workers' comp considered a payroll expense?** Unfortunately workers' compensation is not considered an eligible expense. However, new forgiveness rules have included Temporary Disability Insurance (TDI) as an eligible payroll expense.

**Q: What is a "Community Financial Institution"?** It's defined as an institution with assets less than \$1B. Institutions that meet this criteria in Hawaii include: Hawaii National Bank and Ohana Pacific Bank.

**Q: Is there a list of SBA lenders in Hawaii?** Yes, here is a [list of lenders](#) serving Hawaii. However, not all lenders are accepting PPP2 loan applications from new customers. Reach out to your current lender for more PPP details.

**Q: Can I get a Shuttered Venue Grant and a PPP2 loan?** No, you can't get a PPP2 loan and a Shuttered Venue Grant. If you received a PPP1 loan before December 27, 2020, you can apply for a Shuttered Venue Grant.