

# PPP – It's back & so are we.

Presented by Brinker Simpson

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Please use the Q&A to ask questions, we may not see questions asked in the chat section

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We will email the slides to all participants after the Presentation. Other presentation materials can be downloaded from the webinar.

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# AGENDA

- It's Back! Paycheck Protection Program Updates on re-established PPP Program
- PPP – First Draw
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  - Eligibility
  - Reapplication increased loan amount
- PPP – Second Draw
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# It's Back!

## Paycheck Protection Program

- ▶ At the end of 2020, Consolidated Appropriations Act, 2021 (CAA, 2021) was passed and included a COVID19 Economic Relief Bill.
- ▶ The bill included a reestablished PPP and includes a second draw of Paycheck Protection Program (PPP) loans (PPP Second Draw Loans) for borrowers meeting certain criteria.
- ▶ Tax deductibility of PPP expenses
- ▶ Expansion of PPP eligible expenses
- ▶ EIDL advance no longer reduces PPP forgiveness
- ▶ Streamlined forgiveness for loans under \$150,000 (no form has been released as of today)
- ▶ Program opened Monday January 11<sup>th</sup> from community financial institutions serving low-income and minority borrowers. We expect the program to open to all lenders beginning next week (Jan 18<sup>th</sup>)

# Paycheck Protection Program Update

- Streamlined forgiveness for loans under \$150,000
  - One-page application for forgiveness
  - All forgiveness requirements still apply
  - Recommend completing full forgiveness application, but only submit shorten version
- Borrowers select a covered period anywhere between 8 and 24 weeks
- Borrowers can use 2019 or 2020 payroll to calculate loan amount
- Seasonal employers and new entities receive greater flexibility regarding base period
- Ability to request PPP loan amount increase
  - Borrower may request an increase only if the increase results from changes to the interim final rules
  - SBA to issue guidance within 17 days on process to request increase
  - Can not apply for increase if already applied for forgiveness

# Paycheck Protection Program – First Draw

- ▶ First draw loans mostly follow the program rules of the original PPP. The CAA 2021 expanded eligibility for some previously excluded organizations and expanded the types of eligible non payroll costs.
- ▶ Borrowers can apply for a First Draw PPP Loan until March 31, 2021 (or until funding is exhausted)
- ▶ First Draw PPP Loans can be used to help fund payroll costs, including benefits. Funds can also be used to pay for mortgage interest, rent, utilities, worker protection costs related to COVID-19, uninsured property damage costs caused by looting or vandalism during 2020, and certain supplier costs and expenses for operations.
- ▶ Full Forgiveness Terms First 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;
  - ▶ 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

# Paycheck Protection Program – First Draw – Eligibility

First draw PPP loans also are available to first-time borrowers from the following groups:

- Businesses with 500 or fewer employees that are eligible for other SBA 7(a) loans.
- Sole proprietors, independent contractors, and eligible self-employed individuals.
- Not-for-profits, veterans organizations including churches.
- Entities with more than 500 employees in certain industries that meet SBA's alternative size standard or SBA's size standards for those particular industries can also apply.



# Paycheck Protection Program - First Round Reapplication and Loan Increase Opportunity

- ▶ Existing PPP borrowers that did not receive loan forgiveness by December 27, 2020 may:
  - ▶ reapply for a First Draw PPP Loan if they previously returned some or all of their First Draw PPP Loan funds, or (2) under certain circumstances, request to modify their First Draw PPP Loan amount if they previously did not accept the full amount for which they are eligible.
- **NOTE - if you are considering requesting an increase on your first loan, confirm with your lender how this impacts the timing of an eligible second draw and what you need to provide to substantiate the money has been spent.**

# PPP – Second Draws

Second PPP Draws are limited to certain eligible borrowers that previously received a PPP loan. The loans have the same general loan and forgiveness terms as their First Draw PPP Loan. Second Draw PPP Loans can be used to help fund payroll costs, including benefits.

Funds can also be used to pay for mortgage interest, rent, utilities, worker protection costs related to COVID-19, uninsured property damage costs caused by looting or vandalism during 2020, and certain supplier costs and expenses for operations.

- Second draw - targeted eligibility criteria:
  - Previously received a First Draw PPP Loan and will or has used the full amount only for authorized uses;
  - Employs not more than 300 employees;
  - Can demonstrate at least a 25% reduction in gross receipts between comparable quarters in 2019 and 2020.

# PPP – Second Draws

## MAXIMUM LOAN AMOUNT

- ▶ For most borrowers, 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 (click [HERE](#) for NAICS 72 to confirm), the maximum loan amount for a Second Draw PPP Loan is 3.5x average monthly 2019 or 2020 payroll costs up to \$2 million

# PPP2 - Gross Receipts

- ▶ Generally – receipts should follow how they are reported per the tax return
- ▶ Loans with a principal amount of \$150,000 or less, no documentation is required at the time of application to substantiate the gross receipts reduction. Borrowers will be required to substantiate the reduction at the forgiveness application or upon request by the SBA if the borrower does not apply for forgiveness.
- ▶ Administrative Safe Harbor - Provides that a borrower that was in operation for all four quarters of 2019 can demonstrate a 25% reduction on an annual basis by submitting the 2020 and 2019 tax returns.
- ▶ Any forgiveness amount of a First Draw PPP Loan that a borrower received in calendar year 2020 is excluded from a borrower's gross receipts.

# Documentation Considerations

- **Interim final rule indicates that no additional documentation will be required if applicant used the calendar year 2019 to determine the amount of the first loan, intends to use calendar year 2019 for the Second Draw and will use the same lender.**
- Documents that may be required to substantiate payroll amount including payroll records, payroll tax filings, bank statements, and Schedules C, F, or K.

# Documentation Considerations

Sample list from lender regarding what should be expected to submit with application below. Thank you to our super helpful clients for sharing.

- ▶ ALL Businesses, Self-employed and Independent Contractors must provide the Following:
  - 2019 Full Business Tax Return
  - 2019 IRS Tax Transcript (see attachment for instructions)
  - January 2020 Business Bank Statement
  - February 2020 Business Bank Statement
  - Driver's License, front and back and in color for all owners over 20% (DO NOT CROP ANY EDGES or CORNERS of ID)
  - Proof of tax return filing
- ▶ IF you have W2 employees provide Only ONE of the following:
  - IRS Form 941 for 2019 All 4 Quarters Signed and Dated
  - Form W2 (for all employees)

# PPP Loan Terms

- ▶ (1) the 100 percent SBA guarantee;
- ▶ (2) no collateral requirement;
- ▶ (3) no personal guarantee requirement;
- ▶ (4) a non-compounding and non-adjustable interest rate of one percent, a five-year maturity (guidance released for lenders to conform to non-compounding/non-adjustable rate);
- ▶ (5) similar borrower eligibility and certification requirements; and
- ▶ (6) similar processing requirements for lenders administering the Second Draw PPP



# Application Overview



# Upcoming Webinar

- ▶ Employee Retention Credit Webinar date TBD
- ▶ Guidance expected this week on critical aspects of program

## QUESTIONS?

Post in the Q&A and we will respond live. Additionally, you can email [cares@brinkersimpson.com](mailto:cares@brinkersimpson.com) and our team will respond there.

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