

# PPP Funding and Assistance

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Lisa Kyle – Capital Access Team Advisor (Lkyle@cocc.edu)

COCC – Small Business Development Center



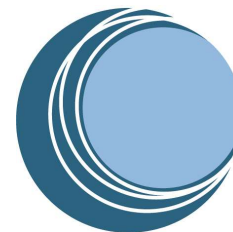
# THANK YOU TO THE SBDC NETWORK & OUR FUNDING PARTNERS



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# CAVEATS

- What is included here is what we know right now
- This is intended to be for informational purposes only. Official information is what is published by the Treasury Department and the SBA. Changes and updates are constantly coming down and those in the 'messenger' seat are doing the best they can to keep up
- We are in uncharted waters, the situation is fluid, and there are still unanswered questions
- **You should always consult with your CPA, attorney and banker before making any major decisions**

# Paycheck Protection Program (PPP)

- The CARES Act authorized SBA to provide forgivable loans (PPP) to small businesses beginning 4/3/20; that program closed on 8/8/20. The Economic Aid Act signed 12/27/20 authorized additional funds for PPP (“First Draw Loans or PPP1”) and includes a Second Draw (“PPP2”) for borrowers who already used up their first PPP. This program began 1/11/21
- Funds are intended to **help small businesses keep their workers on payroll**
- These loans may be completely forgiven if spent on eligible expenses with at least 60% going for payroll during an 8 to 24 week period following disbursement of the loan
- It is funded and originated by banks and other lenders but guaranteed 100% by the Small Business Administration (SBA)
- ***NOTE: PPP refers to loans made in 2020, PPP1 is the new First Draw effective 1/11/21; PPP2 is the new Second Draw effective 1/11/21***

# PPP: Important to know

- No collateral is required
- No personal guarantee- although **if the funds are used for fraudulent purposes, the US Government will pursue criminal charges!**
- Personal Certifications that the current economic conditions/COVID-19 justify the loan request in order for you to support ongoing operations, that you will use the funds to retain your employees and maintain payroll or make mortgage, lease, and utility payments and that you don't have an application already pending for this type of loan or have already received such a loan
- You cannot have more than one pending loan application

# First Draw Loans: PPP1

- **NEW:** If a business did not apply, returned or did not accept the full PPP in previous rounds (which ended 8/8/2020), they may (re)apply/request the full amount
- Loan amount is based on average monthly payroll costs during the 12 months (some exceptions) prior to the loan (or 2019 or 2020) multiplied by 2.5
- Maximum loan amount is \$10 million
- If loan is not forgiven, it remains a loan at 1% interest for 5 years

# PPP1: Eligible Businesses

- Available to businesses, sole proprietorships, independent contractors, nonprofits, veterans' organizations, tribal concerns and **NEW**: 501(c)6, destination marketing organizations (DMO) and housing cooperatives with no more than 300 employees
- Must have been in operation on Feb. 15, 2020
- 500 or fewer employees; eligible news organizations and businesses with NAICS codes beginning with 72 (Accommodation & Food Services) may have no more than 500 employees per physical location
- Average net income for full 2 fiscal years prior to application does not exceed \$5 million

# Applying for PPP1

- Complete the PPP loan application for your lender and submit it with the documentation required by your lender
- **Note:** Some lenders have forms on-line and require on-line submission
- Official SBA application form (for reference):  
<https://home.treasury.gov/system/files/136/PPP-Borrower-Application-Form.pdf>
- Documentation required by your lender will likely include payroll documentation, tax filings, 1099s and details of income and expenses for Independent Contractors and Sole Proprietorships. Your lender will advise you depending on your individual circumstances
- **Applications and required documentation must be submitted by March 31, 2021**  
*or before funds run out*



# Second Draw Loans: PPP2

- PPP2 Second Draw provides **additional funds** to help small businesses impacted by COVID-19 to keep their workers on payroll
- PPP2 is available to businesses who have exhausted their first PPP or will have used the full amount by the expected time of PPP2 loan disbursement; PPP does not need to have forgiveness completed
- Loan is forgivable if spent on eligible expenses with at least 60% spent on payroll costs, the same as PPP (and PPP1)

# PPP2: Eligible Businesses

- Same entities as PPP
- Borrower has **previously received a PPP** and has or will exhaust all of that PPP by the expected time of PPP2 loan disbursement
- Maximum of 300 employees; NAICS codes beginning with 72 and certain news organizations: maximum 300 employees per physical location
- Can demonstrate at least a 25% reduction in gross receipts between comparable quarters in 2019 and 2020 (or annually in some cases)

# PPP2: 25% Gross Receipts Reduction

- Must be a 25% or more reduction for any quarter in 2020 as compared to same quarter in 2019; can use annual reduction if 2020 revenue is at least 25% less than 2019 annual revenue. 2020 revenue does not include amount of first PPP loan
- Gross receipts includes 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.
- Documentation: Loans above \$150k will provide documentation for reduction verification at application. Loans below \$150k provide documentation at forgiveness.

# PPP2: Loan amount

- Average monthly eligible payroll costs from the last 12 months (or 2019 or 2020) multiplied by 2.5. For NAICS codes beginning in 72 (Accommodation & Food Service) multiplied by 3.5
- Maximum loan amount is \$2 million

# Applying for PPP2

- If you apply with the same lender that did your PPP and use FY2019 figures for both PPP and PPP2, you may not need to provide new payroll information
- Complete the PPP Second Draw loan application as requested by your lender and submit it with the documentation required by your lender
- **Note:** Some lenders have forms on-line and require on-line submission
- Official SBA application form (for reference):  
<https://home.treasury.gov/system/files/136/PPP-Second-Draw-Borrower-Application-Form.pdf>
- Documentation required by your lender will likely include payroll documentation, tax filings, 1099s and details of income and expenses for Independent Contractors and Sole Proprietorships. Your lender will advise you depending on your individual circumstances
- **Applications and required documentation must be submitted by March 31, 2021  
or before funds run out**

# PPP1 & 2: Ineligible Businesses

- Businesses engaged in illegal activity under federal, state or local law (cannabis warning), some others as determined by SBA
- Household employers (you have a nanny, staff, etc.)
- Any previous delinquencies or defaults on a federal loan in the last 7 years, causing loss to the government
- An owner of 20% or more of the equity of the applicant is incarcerated, or for any felony, subject to indictment, criminal information, arraignment or other means by which formal criminal charges are brought in any jurisdiction; or has been convicted of, pleaded guilty or nolo contendere to, or is on probation or parole, for a felony involving fraud, bribery, embezzlement, or a false statement on a loan application, within the last five years or any other felony within the last year.
- Additional: See [Interim Final Rule on Paycheck Protection Program as Amended by Economic Aid Act](#) (originally posted 1/6/2021) pages 3697 and 3698

# PPP1 & 2: Use of Funds

- Over 8 to 24 weeks beginning on the date the business received loan funds, minimum of 60% must be spent on qualifying payroll expenses. The other 40% may be spent on other eligible expenses
- Businesses **MUST** maintain FTE employee count and compensation levels. There are some safe harbors if the business cannot replace employees or the business is disrupted due to shut-downs. (Forgiveness may be reduced if these are not maintained and safe harbor cannot be used)

# PPP1 & 2: Eligible Payroll Costs

- Salaries, wages, commissions, or similar compensation including cash tips or equivalent
- Payments for vacation, parental, family, medical, or sick leave
- Allowances for dismissals or separations
- Payments for group health care benefits, including insurance premiums
- Retirement benefits (some limitations for owners/owner employees)
- State or local taxes imposed on employee compensation
- For a sole proprietor or independent contractor: wages, commissions, income or retained earnings from self employment or similar compensation



# PPP1 & 2: Ineligible Payroll Costs

- Contractor/1099 employee pay – these have the ability to apply for their own PPP
- The compensation of an individual employee in excess of an annual salary of \$100,000 prorated as necessary
- Compensation paid to an employee whose primary residence is outside the U.S.
- Federal payroll taxes, railroad retirement taxes and income taxes
- Qualified sick or family leave wages paid if a tax credit is allowed under the Families First Coronavirus Response Act
- Owner draws that are considered distributions for S or C-Corp
- Worker's compensation costs & fees

# PPP1 & 2: Other Eligible Expenses

- Eligible expenses include payroll costs, interest on long or short term debt incurred before 2/15/2020, rent under a lease agreement in force before 2/15/2020, utilities and other costs for which services began before 2/15/2020. **NEW:** PPE or facility modification for worker protection, software & cloud computing services, other human resources and accounting needs, supplier costs such as payments to a supplier for goods that are essential to the operations of the borrower pursuant to a contract or P.O. in effect before the PPP loan is disbursed, covered property damage costs not covered by insurance or other compensation (such as from looting or public disturbances)
- You may also refinance an EIDL loan made between 1/31/2020 and 4/3/2020 with a PPP1

# PPP1 & 2: Loan Forgiveness

- You will owe money to your lender if you use the loan amount for anything other than payroll costs, mortgage interest payments, interest on other debt incurred before 2/15/2020, rent, utilities and other eligible expenses over the 8 to 24 weeks after receiving the loan “covered period”

## **Your loan forgiveness may be reduced if:**

- You don't use a minimum of 60% of the funds for payroll costs and the balance for other eligible costs
- The business does not maintain FTE employee count and compensation levels. There are some safe harbors if the business cannot replace employees or if the business is disrupted due to shut-downs

# PPP1 & 2: Getting Loan Forgiveness

- Submit a forgiveness request to the lender that serviced your loan within 10 months of the end of your covered period (8 to 24 weeks from the date the loan is funded) Many lenders have their own forms, on-line portals and required supporting documentation
- See SBA forgiveness forms and instruction for reference:  
<https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>
- Provide documentation to verify during the covered period
  - Your number of Full-time equivalent employees and pay rates
  - Payments on eligible expenses
  - Any other lender requested documentation
- The lender will make a decision on forgiveness within 60 days; it is then submitted to SBA for final forgiveness which must be determined within 90 days.

# PPP: What if the loan isn't forgiven?

- For any amount not forgiven you will owe that money back in the form of a loan
- Loan Interest Rate: 1%
- Term of loan: 5 Years
- No prepayment penalties or fees

# Tax Provision Changes

- Reverses IRS ruling to allow tax deduction for regular business expenses paid with PPP loan proceeds and clarifies that PPP loan forgiveness is not taxable income
- Clarifies that EIDL Advance Grants are not included in taxable income
- **ALWAYS Consult your CPA or tax advisor**

# EIDL Advances

EIDL Advance funds were originally calculated based on the number of employees indicated on an applicant's COVID-19 EIDL application: \$1,000/employee, up to a maximum of \$10,000.

The EIDL Advance does not have to be repaid and **businesses who received an EIDL Advance in addition to their PPP loan will no longer have the amount of the EIDL Advance subtracted from the forgiveness amount of their PPP loan.**

If you already applied for PPP loan forgiveness and had the amount of your EIDL Advance subtracted from the forgiveness amount, [updated guidance will be published soon](#). We understand that you won't have to pay this back.



# New Targeted EIDL Advance

- Advances of up to \$10,000 will be made available to applicants who **previously received an EIDL Advance for less than \$10,000 or who applied but received no funds** due to lack of program funding.
- SBA will be reaching out to applicants who qualify:
  - Must be located in a low-income community (guidance to come)
  - Can demonstrate more than 30% reduction in revenue during an 8 week period beginning 3/2/2020 or later.
- Applicants do NOT need to take any action at this time; ONLY prior applicants will be considered for the Targeted EIDL advance



# Helpful websites

- **Note:** some of these resources are in the process of being updated
- PPP programs info and all PPP forms: <https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>
- SBA programs information: <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options>
- SBDC COVID19 Resources: <https://bizcenter.org/covid-19/>
- State of Oregon Resources: <https://www.oregon4biz.com/Coronavirus-Information/>

# Other helpful websites

- <https://bizcentercat.org/covid19/> other funding sources
- <https://www.sba.gov/size-standards/> SBA size standards tool
- NAICS code look-up: <https://www.naics.com/code-search/>
- Register for advising at COCC's SBDC:  
<https://clients.oregonsbdc.org/reg.aspx?mode=counsel&center=2020&subloc=0>