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PPP UPDATE

SUMMARY OF PPP LOAN UPDATES

- Comparison of PPP first draw and PPP second draw and change in taxability of PPP funded expenses
- Additional Covered Expenses
- Additional Details First Draw Loans
- Additional Details Second Draw Loans



Future.
Reimagined.

Program	First draw PPP	Second draw PPP
Application open	January 11 through March 31, 2021 (roll out limited to certain financial institutions, open to all eligible borrowers and lenders in the near future)	January 13 through March 31, 2021 (roll out limited to certain financial institutions, open to all eligible borrowers and lenders in the near future)
Funding	Over \$284 billion	
Maximum loan size	\$10 million	\$2 million
Terms	Loans forgiven if certain qualifications are met	Loans forgiven if certain qualifications are met
Covered forgiveness period	Borrower can select anywhere between eight weeks and 24 weeks	Borrower can select anywhere between eight weeks and 24 weeks
Taxability	Loan forgiveness excluded from gross income; expenses deductible	Loan forgiveness excluded from gross income; expenses deductible



ADDITIONAL ELIGIBLE EXPENSES FOR FORGIVENESS

Original
Eligible
Expenses

- Payroll & Related payroll costs
- Mortgage interest
- Rent
- Utilities

NEW
Eligible
Expenses

- Group insurance payments are considered payroll costs
- Covered Operations expenditures specific to Business software and cloud computing
- Covered property damage due to vandalism or looting
- Covered supplier costs
- Covered worker protection



ADDITIONAL ELIGIBLE EXPENSES FOR FORGIVENESS - DEFINED

The Act makes the following additional expenses of a borrower allowable and forgivable uses for PPP funds:

- Group insurance payments. Costs related to the continuation of group health care, life, disability, vision, or dental benefits during periods of paid sick, medical, or family leave, and group health care, life, disability, vision, or dental insurance premiums.
- Covered operations expenditures. Includes the payment for any software, cloud computing, and other human resources and accounting needs.
- Covered property damage costs. Costs related to property damage due to public disturbances that occurred during 2020 that are not covered by insurance.
- Covered supplier costs. Expenditures to a supplier pursuant to a contract, purchase order, or order for goods in effect prior to taking out the loan that were essential to the recipient's operations at the time at which the expenditure was made. Supplier costs of perishable goods can be made before or during the life of the loan.
- Covered worker protection expenditure. Personal protective equipment and adaptive investments to help a loan recipient comply with federal health and safety guidelines or any equivalent state and local guidance related to COVID-19 during the period between March 1, 2020, and the end of the national emergency declaration.



First Draw PPP Loans

- Maximum of \$10 million or 2.5 times average monthly payroll costs (only include compensation up to \$100,000 on an annual basis)
- Group insurance costs are now considered eligible payroll costs
- Reference period for calculating average monthly payroll costs for 2020 originated loans is calendar year 2019 or the twelve-month period prior to when the loan is made. 2021 originated loans can also elect to use the precise 1-year period before the date on which the loan is made to calculate payroll costs, instead of calendar year 2019 or 2020.
- Seasonal businesses may use any 12 week period between February 15, 2019 and February 15, 2020 as the calculation period for average monthly payroll costs.



Second Draw PPP Loans

- Maximum of \$2 million or 2.5 times average monthly payroll costs (only include compensation up to \$100,000 on an annual basis), except for NAICS Code 72 Companies, which can be 3.5 times the average monthly payroll costs.
- Reference period for calculating average monthly payroll costs is calendar year 2019, calendar year 2020 or the twelve-month period prior to when the loan is made.
- Seasonal Companies can elect the same reference period as first draw loans
- In order to be eligible, the following must apply
 - Eligible entities must be businesses, certain nonprofit organizations, housing cooperatives, veterans' organizations, tribal businesses, self-employed individuals, sole proprietors, independent contractors, and small agricultural cooperatives. Certain other restrictions for publicly traded companies, lobbying groups and entities affiliated with the People's Republic of China
 - Employ not more than 300 employees. The SBA affiliation rules apply in determining the number of employees
 - Have used or will use the full amount of their first PPP loan;
 - Demonstrate at least a 25% reduction in gross receipts in the first, second, or third quarter of 2020 relative to the same quarter in 2019



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Appendix of NAICS code 72 business

Code	Title
72	Accommodation and Food Service
7211	Traveler Accommodation
721110	Hotels (except Casino Hotels) and Motels
721120	Casino Hotels
721191	Bed-and-Breakfast Inns
721199	All Other Travel Accommodation
7212	RV Parks and Recreational Camps
721211	RV Parks and Campgrounds
721214	RV Parks and Vacation Camps
7213	Rooming and Boarding Houses, Dormitories, and Worker's Camps
721310	Rooming and Boarding Houses, Dormitories, and Worker's Camps
7223	Special Food Services
722310	Food Service Contractors
722320	Caterers
722330	Mobile Food Services
7224	Drinking Places (Alcoholic Beverages)
722410	Drinking Places (Alcoholic beverages)
7225	Restaurants and Other Eating Places
722511	Full-Service Restaurants
722513	Limited-Service Restaurants
722514	Cafeterias, Grill Buffets, and Buffets
722515	Snack and Nonalcoholic Beverage Bars