



U.S. Small Business  
Administration

# SBA Programs and PPP Loan Application Information from the Economic Aid Act Signed on Dec 27, 2020

# SBA Programs & PPP Applications 2021

## Today we'll cover:

- Overview of the key elements of the new 2021 Paycheck Protection Program (PPP).
- Additional details to the PPP program included in the new legislation.
- Other SBA and Tax provisions included in the new legislation.
- Elements of the new legislation specifically for underserved and low-income communities.
- The most current information about when and where to apply for the PPP loans.
- SBA Economic Injury Disaster Loan (EIDL) Update.
- Where to seek additional assistance and one on one advising.

# SBA Programs & PPP Applications 2021

- The information provided in this presentation is relevant as of 1-08-21. Neither the presenters, nor the Washington Small Business Development Centers are the final authority on this material. The information is subject to change at any time with new legislation and/or additional rules from the Treasury and/or the SBA. We are waiting for new rules applying to the legislation for most of the details we will cover today.
- Consult your CPA, Attorney or similar professional for tax and legal advice regarding how these programs may impact your specific business.
- The purpose of this presentation is to assist small business owners with their use of the programs established by the federal legislation. It is also to help Technical Assistance partners supporting bilingual and underserved communities better assist their communities with this material.

# SBA Programs & PPP Applications 2021

## What can the small business owner do to get ready:

- Find and review 2019 tax return.
- Up to date 2019 and 2020 Business Profit and Loss statements.
- Determine your highest average monthly payroll from either calendar year 2019 or 2020 or the last 12-months prior to the loan application.
- Other documents you may need later - Bank account statements, 3<sup>rd</sup> party payroll records, W2/W3 forms, Tax forms such as 941, Copies of funds transfers, ACH, checks, State wage reporting documents for unemployment and L&I, For the employer portions of: health insurance, retirement plans and state/local taxes – payment receipts and cancelled checks or account statements.
- Evidence of changes in gross revenue from 2019 to 2020.

# SBA Programs & PPP Applications 2021

## The Five Major PPP Changes - #1: The 1<sup>st</sup> Draw PPP Loan :

- Business entities who did not receive a PPP loan in 2020.
- First priority goes to first time PPP borrowers, including minority owned, veteran owned, woman owned and businesses in underserved markets.
- Must show that they were in operation on or before February 15th, 2020.
- Maximum loan amount is \$2 million (affiliation alliances may apply) and not more than 500 employees per physical location.
- Accommodations and food service (NACIS 72) can employ 500 employees per physical location.
- Loan amounts are based on 2.5 times average monthly payroll. It is 3.5-times avg. monthly payroll for accommodations and food services.

# SBA Programs & PPP Applications 2021

## The Five Major PPP Changes - #1: The 2<sup>nd</sup> Draw PPP Loan :

- Eligibility is for businesses that have used or intend to use all of their first PPP loan funds.
- Must document 25% reduction in gross revenue on an annual basis or in any one of the four quarters in 2020 as compared to 2019.
- Loan amount maximum of \$2 million and not more than 300 employees.
- Only one 2<sup>nd</sup> draw PPP loan is allowed.
- Loan amounts are based on 2.5-times average monthly payroll. It is 3.5-times average monthly payroll for accommodations and food services.
- Accommodations and food service (NACIS 72) can employ 300 employees per physical location.

# SBA Programs & PPP Applications 2021

## The Five Major PPP Changes - #1: The 1<sup>st</sup> & 2<sup>nd</sup> Draw PPP Loan (con't):

- Eligible Entities are for profit businesses, certain non-profits including 501(c)(6), housing cooperatives, veterans' organizations, tribal businesses, self employed individuals, sole proprietors, independent contractors and small agricultural co-operatives.
- Ineligible entities include those involved in political and lobbying activities, those involved in advocacy of public policy or political strategy such as think tanks, entities affiliated with the People Republic of China, Registered Foreign Agents.
- Shuttered Venue Entities can receive a grant under a new program created by the new legislation but if they do, they are not eligible for a new PPP loan.
- Extends the time of the PPP application program to March 31, 2021 and appropriates \$284.45 billion for it.

# SBA Programs & PPP Applications 2021

## **The Five Major PPP Changes - #2: Simplified PPP Loan Forgiveness for Loans Up To \$150,000:**

- Loan forgiveness for loans \$150,000 or less will use a new short form that has not yet been developed.
- The new form will be one page and includes a description of the number of employees that were retained because of the PPP loan and the estimated total amount of the loan spent on payroll costs.
- The borrower will have to attest to certain certifications that demonstrate their compliance with the Paycheck Protection Program requirements.
- Records necessary to support statutory or regulatory requirements may be required.
- PPP borrowers are required to retain all relevant records related to employment for four years and other records for three years.



# SBA Programs & PPP Applications 2021

## The Five Major PPP Changes - #2: Simplified PPP Loan Forgiveness for Loans Up To \$150,000 (con't):

- At least 60% of the use of PPP funds for payroll still applies.
- Up to 40% of PPP funds can be applied to mortgage interest, rent, utility and covered operations expenditures including property damage costs, supplier costs and worker protection expenditures during the covered period.
- In general, the loan forgiveness elements of the new legislation apply to loans made before, on or after the date on enactment of the legislation including forgiveness of the loan.
- Loan forgiveness may still be reduced for a borrower who reduced the number of employees retained and/or reduced the employee's wages in excess of 25% and does not meet the available safe harbors.

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## The Five Major PPP Changes - #3: Additional uses of the PPP funds:

- Additional uses allowed include - certain operational expenses for computing, Human resources, accounting, supplier costs pursuant to a contract for goods and personal protective equipment.
- Property damage caused by civil unrest is an allowed PPP expense.
- Payroll costs can include group insurance including life, disability, health, vision, and/or dental insurance.
- PPP loans made before, on or after enactment of the new legislation can use the expanded forgivable expenses unless the 1<sup>st</sup> PPP loan has already been forgiven.
- Borrowers who returned all or part of their PPP loan funds may apply for a 2<sup>nd</sup> draw PPP loan up to the \$2 million maximum amount.

# SBA Programs & PPP Applications 2021

## **The Five Major PPP Changes - #3: Additional uses of the PPP (con't):**

- Farmers and ranchers who operate as sole proprietors, independent contractors, self-employed individuals may utilize their gross income from their 2019 Schedule F and were in business on Feb 15, 2020 to calculate their PPP loan amount. Farm credit institutions can make PPP loans.
- A seasonal employer is one who operates for not more than seven months a year or earns no more than 1/3 of its receipts in any six months in the prior calendar year is eligible.
- Housing Cooperatives as defined in section 216b if the IRS code are eligible.
- FCC license holders and newspapers with more than one physical location and no more than 500 employees per location are eligible.
- 501(c)(6) and Destination Marketing Organizations are eligible if no more than 15% of receipts and/or activities are from lobbying and the cost of lobbying did not exceed \$1 million in the tax year prior to Feb 15, 2020.

# SBA Programs & PPP Applications 2021

## **The Five Major PPP Changes - #4: EIDL Advance is no longer deducted from Loan Forgiveness:**

- The new legislation repeals the CARES Act section that required the deduction of the EIDL Advance from the PPP loan forgiveness amount.
- The SBA will provide a reconciliation payment to the lender to pay down the outstanding PPP loan balance caused by the EIDL Advance.
- The new legislation establishes that PPP borrowers who received the EIDL Advance should be made whole without regard to whether those borrowers are eligible for PPP forgiveness.

# SBA Programs & PPP Applications 2021

## **The Five Major PPP Changes - #5: Tax Provisions Expenses Forgiven Are Now Deductible Expenses For Year End Tax Reporting:**

- Gross business income does not include any amount that would otherwise arise from the forgiveness of a PPP loan.
- Business tax deductions are allowed for otherwise deductible expenses paid with proceeds of a PPP loan that is forgiven.
- Gross business income does not include forgiveness of certain loans, emergency EIDL grants and certain loan re-payment assistance, each as provided in the CARES Act.
- These provisions are effective as of the date of the CARES Act in 2020.

# SBA Programs & PPP Applications 2021

## **Additional Details to the PPP Program Included in the New Legislation:**

- A PPP borrower may elect a covered period ending at the dates of the borrower's choosing between 8 and 24 weeks after the funding of the PPP loan.
- The loan amount is based on 2.5 times the average monthly payroll in one year prior to the loan or the calendar year.
- Accommodations and food services (NAICS 72) can be 3.5 times avg. payroll.
- Seasonal employers can determine loan amount based on a 12-week period between Feb 15, 2019 and Feb 15, 2020. There is now a specific definition for seasonal businesses.
- Businesses with multiple locations are eligible if they employ 300 or less total employees per location.
- For all PPP loans, the borrow submits certification attesting to 25% revenue reduction on an annual basis or in any one of the four quarters in 2020 as compared to 2019.

# SBA Programs & PPP Applications 2021

## Elements of the New Legislation Specifically for Underserved and Low-Income Communities:

- The SBA Administrator must issue guidance addressing the barriers to access to capital for underserved communities.
- Set-aside of \$15 billion for PPP loans to be issued by community financial institutions, including CDFIs and minority depository institutions (MDIs).
- Set-aside of \$15 billion for PPP loans issued by certain other small depository institutions.
- Set-aside of \$35 billion for first time borrowers, \$15 billion of which are for smaller, first time borrowers with 10 or fewer employees.
- \$25 billion for 2<sup>nd</sup> draw loans for smaller borrowers with 10 or fewer employees or loans less than \$250,000 in low-income areas.
- \$25 million for Minority Business Development Centers.
- \$57 million for microloan programs.

# SBA Programs & PPP Applications 2021

## **\$3.5 Billion for the Debt Relief Program & Bankruptcy Provisions:**

### Debt Relief Program:

- For those with existing SBA 7a, 504 (SBA Portion) and Microloans:
- The SBA will pay at least an additional three months of P&I starting in February 2021.
- Certain underserved businesses may receive additional months.
- These payments will be capped at \$9,000. Loan payments above that will be the responsibility of the borrower.

### Bankruptcy Provision:

Establishes a special procedure if the SBA Administrator determines certain small business debtors are eligible for the PPP loan. It requires court approval for PPP loans for these debtors.



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## **\$15 Billion for Shuttered Venue Operators:**

Grants will be available to eligible live venue operators or promoters, theatrical producers, live performing arts operators, museum operators, motion picture operators, and talent reps who demonstrate a revenue reduction. The processing priority will be as follows:

- 1st 14 days of program, grants will be awarded to venues with a minimum 90% revenue loss.
- 2<sup>nd</sup> 14 days, grants awarded to venues with a minimum 70% revenue loss.
- After 28 days, grants will be awarded to venues with less than a 70% revenues loss.
- Initial grant can be up to \$10 million with a supplemental at 50% of 1<sup>st</sup> grant.
- \$2 Billion set-aside for entities with up to 50 FT employees.

# SBA Programs & PPP Applications 2021

## **Additional SBA & IRS Programs Included in the New Legislation (con't):**

### \$20 Billion for the Targeted EIDL Advance program and Emergency EIDL Grants:

- Provides targeted EIDL Advance funding to entities located in low-income communities.
- Makes entities in low-income communities that received EIDL advances eligible to increase the EIDL advance amount up to \$10,000.
- Provides \$10,000 EIDL grants to eligible applicants in low-income communities that did not secure grants because the funding had run out.
- Extends the covered period for use of Emergency EIDL grants through December 31, 2021.
- This grant process and the designations of low-income communities are being developed.

# SBA Programs & PPP Applications 2021

## **Employee Retention Tax Credit (ERTC):**

- This is a good option for those who cannot apply for a new PPP.
- Those who receive a PPP can qualify for the ERTC for wages that are not forgiven with PPP proceeds.
- Additional eligibility for full or partial reduction in business as a result of government orders.
- The ERTC credit is a reduction in the amount due on 941/940 reports of up to 70% of qualified wages.
- Requires a year over year gross revenue decline of 20% or more.
- Establishes a credit limit of \$10,000 per employee per quarter.
- Allows businesses with 500 or fewer employees to advance the credit based on wages paid in the same quarter in a previous year.
- Additional information and rules on the ERTC are available and more will be coming.

# SBA Programs & PPP Applications 2021

## **The Most Current Information About When and Where to Apply for the PPP loans:**

- As of the date of this presentation, the lending community is not ready to accept new PPP loans. New application forms are expected within 24 hours. First draw loan applications will begin January 11; Second draw loan applications will begin January 13.
- The SBA's Seattle District Office is surveying lenders and CDFIs authorized to fund PPP loans. The purpose is to develop a reliable referral list.
- The Survey's intent is to provide a referral list of lenders who will be participating in this round of PPP funding, who will be accepting applications from non-customers/members, and who are able to serve customers specified languages other than English.
- We will provide updated information via these webinars as it becomes available.

# SBA Programs & PPP Applications 2021

## **SBA Economic Injury Disaster Loan (EIDL) Update:**

- The EIDL Loan Program has been reauthorized through 12-31-2021 or until funds are no longer available. Interest rates are 3.75% for for-profit businesses and 2.75% for non-profit businesses for a 30 year term. Payments are deferred until 12 months and there is no prepayment penalty.
- Apply here - <https://covid19relief.sba.gov/#/>. Print each application page and verify for accuracy before moving to the next page. Validate your deposit institution's routing number and your account number.
- Office of Disaster Assistance's Customer Service Center is **1-800-659-2955**. To check status of your EIDL loan, call the 800 # and ask for a Tier 2 person.
- To ask for EIDL reconsideration if your loan request is denied or to request an increase in your loan amount - email to [pdcrecons@sba.gov](mailto:pdcrecons@sba.gov). You may be required to complete an SBA form 3501, a statement of liabilities and an updated form 4506-T (request for Transcript of Tax Return). Be sure these are accurate.

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## Upcoming Training & Webinars:

- January 11<sup>th</sup> at 10:00am – Webinar on the new & revised PPP Forgiveness Application process. Signup at this link: <https://wsbdc.ecenterdirect.com/events/99271347>.
- January 15<sup>th</sup> SBA Round 2 COVID-19 relief and PPP Application: <https://wsbdc.ecenterdirect.com/events/99271349>.
- January 22<sup>nd</sup> Updates to PPP Loan Forgiveness Instructions: <https://wsbdc.ecenterdirect.com/events/99271352>.
- Additional PPP webinars are planned every Friday at 10:00am into March – Information can these and other webinars can be found at:
- <https://wsbdc.ecenterdirect.com/events>

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## Where to Get Additional Information & Support Resources:

- Technical Assistance for non-English speakers, and underserved communities can be found at this link – <https://www.commerce.wa.gov/serving-communities/technical-assistance-from-trusted-community-messengers/>.
- One on One SBDC advising is at [Washington@wsbdc.org](mailto:Washington@wsbdc.org) or 833-492-7232.
- The SBA website at [SBA.gov](https://www.sba.gov) can be converted to 108 additional languages with the “Translate” button.
- Lender Match - <https://www.sba.gov/funding-programs/loans/lender-match>.
- Treasury Website for PPP info & Rules - <https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>.
- IRS website on the Employee Retention Credit:  
<https://www.irs.gov/newsroom/covid-19-related-employee-retention-credits-how-to-claim-the-employee-retention-credit-faqs>.

# Find the Nearest Advisor:

<https://wsbdc.org/contact-an-advisor/washington@wsbdc.org> or 833-4WA-SBDC





# Q&A



## **Mark Costello**

Deputy District Director

U.S. Small Business  
Administration

Seattle District Office

Email -  
[mark.costello@sba.gov](mailto:mark.costello@sba.gov)



## **Steve Burke**

Western Washington Regional  
Manager

Small Business Development  
Center

Email [Washington@wsbdc.org](mailto:Washington@wsbdc.org)

Phone 833-492-7232



## **Janie Sacco**

Marketing & Outreach  
Specialist

U.S. Small Business  
Administration

Seattle District Office

SBA Message Line  
**206.553.7310**

Email [-janie.sacco@sba.gov](mailto:janie.sacco@sba.gov)