

Paycheck Protection Program
Frequently Asked Questions

Legislation passed at the end of 2020 made changes to the Paycheck Protection Program (PPP) that allow second forgivable loans for certain businesses, as well as broadened eligibility for first-time loans. Some of the key changes include:

- Second Draw PPP Loans are available to existing PPP borrowers with no more than 300 employees that have experienced at least a 25 percent drop in quarterly revenue and may be able to receive up to \$2 million in a forgivable loan
- First-time borrowers with no more than 500 employees can get up to a \$10 million loan for five years based on payroll expenses for either 2019 or 2020
- Sixty percent of the loan must be used for payroll in order to qualify for forgiveness. The remaining can be used for employee health benefits, mortgage interest, rent, utilities, and an expanded list of expenses that are essential to business operations, including, but not limited, to personal protective equipment
- Applications are due by March 31, and businesses have up to 24 weeks to spend the money

The FAQs below are based on the updated legislation for new loans:

General

Does the “necessity” requirement still apply for the Paycheck Protection Program?

Yes, the SBA loan application forms contain the “economic uncertainty” self-certification.

What is the interest rate?

For the portion of the PPP loan that is not forgiven, the interest rate for First Draw PPP Loans or Second Draw PPP Loans remains one percent.

What if I received a PPP loan and then had to shut down. Do I still need to pay my employees?

The loan forgiveness provision looks at whether you were paying your employees for the covered period (between 8-24 weeks) after the loan was disbursed – in order to receive full forgiveness, you need to meet the 60/40 provision requiring at least 60 percent of the loan to be used for payroll.

How long can a business wait after receiving PPP funding to use their loan?

The clock starts when a business receives the loan disbursement. After that point, the borrower can choose any time period between 8-24 weeks as their covered period.

Can a business that opened in 2020 apply for PPP?

Yes, as long as the business was in operation on February 15, 2020, the business is eligible.

PPP Second Draw Loans

Is the Second Draw PPP Loan only for NAICS Code 72 (hospitality, restaurants)?

The Second Draw PPP Loan is available to eligible businesses that can demonstrate a revenue decline of 25 percent or more in any quarter of 2020 (compared to the same quarter in 2019). The loan amount is usually 2.5 times average monthly payroll. For businesses with a NAICS 72 code, the loan calculation is 3.5 times average monthly payroll. Please note that for businesses who borrowed before under CARES Act, the borrowing amount is capped at \$2 million.

Can I apply for a Second Draw PPP Loan if my PPP loan has not been forgiven?

Yes, you may apply for a Second Draw PPP Loan even if you have not received forgiveness for your PPP loan. Guidance suggests you must have used, or will use, the full amount of your first draw funds on eligible expenses to qualify for a Second Draw PPP Loan.

What quarter does a business that opened late in 2019 use to determine a 25 percent or more reduction in gross receipts? How do I show a 25 percent loss if my business was not open in 2019?

Second Draw PPP Loans are available to businesses that were in operation February 15, 2020. Those not in business in the first or second quarters of 2019 may select either the third or fourth quarters of 2019, and compare with the same quarter in 2020.

How do I show a 25 percent loss if my business was not open in 2019?

If the business opened in early 2020, they would need to have receipts during the second, third, or fourth quarter of 2020 that demonstrate at least a 25 percent drop from the first quarter of 2020.

Interaction between PPP, Employee Retention Tax Credit (ERTC) and Shuttered Venue Operator Grants

If the PPP covered period selected was 8 weeks, does that mean the balance of the wages between mid-March and year end 2020, other than those 8 weeks, are eligible for ERTC?

Yes, as long as there is not overlap in actual payroll, and you meet the ERTC eligibility criteria, you would be eligible.

If I already filed for PPP forgiveness, am I able to use the ERTC?

Yes, as long as you are using the ERTC for different wages.

Can I receive both a PPP loan and a Shuttered Venue Operator Grant?

If you received a PPP loan prior to December 27, 2020, you are still eligible for a Shuttered Venue Operator Grant. After that date, you may not use both programs.

To view the latest guidance, please visit the U.S. Treasury Paycheck Protection Program website: <https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>.