



## **Re-Launch of the Paycheck Protection Program: Second Draw PPP Loans**

On December 21, 2020, Congress passed a [\\$900 billion COVID relief package](#) that includes new federal assistance to small businesses. This follows months of IFA staff and IFA member advocacy on behalf of franchise businesses.

The bill contains major pro-franchise provisions, including an additional round of PPP for the most affected businesses (with additional support within the PPP for restaurants & hotels), PPP tax deductibility, simplified PPP loan forgiveness, enhancements to the SBA 7a program and an expanded Employee Retention Tax Credit.

The Small Business Administration (SBA) and the Department of Treasury [announced the re-launch of the PPP on January 11<sup>th</sup>](#). On January 8th, the SBA hosted a webinar to present an overview of the anticipated, second round of PPP loans. While the SBA took the first few days to prioritize small businesses from underserved communities (minorities, females, veterans, etc...) before processing other loans, PPP is now open to all lenders and eligible borrowers.

Those businesses that have not already applied for a PPP First Draw Loan may do so on or before March 31, 2021. Likewise, those businesses that have received a PPP First Draw Loan may be able to request an increase in funds from the SBA, rather than applying for a Second Draw Loan. The SBA will issue firm guidance soon.

To date, the SBA has issued two interim rules which include guidance for Second Draw Loans and information regarding streamlined forgiveness on loans of \$150,000 or less. The SBA stressed that processing Second Draw Loans will require patience from lenders and borrowers, as new procedures have been put in place for identity management and to combat fraud.

Businesses applying for a Second Draw Loan may be eligible for up to \$2 million in PPP funds. For many businesses, eligible funds will be calculated on 2.5 times monthly payroll. Those businesses in the Accommodation and Food Services (NAICS 72) may calculate eligible PPP funds on 3.5 times monthly payroll. Eligible businesses are those that were eligible for (and received) a PPP First Draw Loan, expended all First Draw Loan funds, have no more than 300 employees, and can demonstrate at least a 25% reduction in gross receipts in comparable quarters from 2019 and 2020. Lastly, the same Affiliation Rules from the First Draw Loan requirements under the CARES Act apply to Second Draw Loans.

The SBA intends to publish further guidance for First and Second Draw Loans, as well as for streamlined forgiveness procedures soon. All PPP guidance, applications and forms, and other resources can be accessed at [here](#).

## PPP Second Draw FAQ

<b>Second Draw PPP Loan Eligibility</b>	
<b>What entities are ineligible for PPP?</b>	A business/organization that was not in operation on February 15, 2020; publicly traded companies; a recipient of a Shuttered Venue Operator Grant as established by the COVID-19 Relief Act; foreign-owned or operated businesses; some other limited exclusions.
<b>What entities are eligible for PPP?</b>	Small businesses, sole proprietors, independent contractors and others that previously received a PPP loan can apply for a second draw PPP loan, if they satisfy the law's requirements.
<b>Are franchise owners eligible for Second Draw PPP loans?</b>	<p>Yes. Franchise owners may be eligible for Second Draw PPP loans if they meet the adequate size and revenue requirements established in the most recent legislative package (described below), and if they are registered on the <a href="#">SBA's Franchise Directory</a> and assigned a franchise identifier code.</p> <p>Traditionally, the SBA has used an "affiliation" test to assess whether a business's affiliates would be considered part of the same entity in order to determine eligibility for SBA-administered loan programs (i.e., whether the entity is a small business concern or, in this case, has more than 300 employees).</p> <p>The CARES Act contains a specific affiliation test exemption for franchised businesses (franchisors and franchisees alike) seeking relief as part of the PPP. Under the PPP, a franchised business will not be aggregated if the franchise program has been assigned a franchise identifier code by the SBA (i.e., the franchise system is listed on the SBA Franchise Directory).</p>
<b>PPP Size and Revenue Requirements</b>	
<b>What are the size requirements for Second Draw eligibility?</b>	To qualify, an eligible business must employ fewer than 300 employees. For restaurants and hotels operating under NAICS 72, this size standard is set at 300 "per physical location," allowing companies with multiple locations to access a second draw. Restaurants and hotels had a similar standard under the first draw in 2020, but that threshold was set at 500 employees per location.
<b>What are the revenue requirements for Second Draw Eligibility?</b>	Businesses must show a gross receipts loss of 25% or more across a calendar quarter, when compared to an applicable time period. Gross receipts during the first, second, third, or fourth quarter in 2020 must show a 25%

	<p>or more decrease from the gross receipts of the business during the same quarter in 2019.</p> <ul style="list-style-type: none"> <li>• If the company was not in business during the first or second quarter of 2019, but was in business during the third and fourth quarter of 2019, its gross receipts during the first, second, third, or fourth quarter of 2020 must show a 25% or more decrease from the gross receipts of the business during the third or fourth quarter of 2019.</li> <li>• If the company was not in business during the first, second, or third quarter of 2019, but was in business during the fourth quarter of 2019, its gross receipts during the first, second, third, or fourth quarter of 2020 must show a 25% or more decrease from the gross receipts of the business during the fourth quarter of 2019.</li> <li>• If the company was not in business during 2019, but was in operation on February 15, 2020, its gross receipts during the second, third, or fourth quarter of 2020 must show a 25% or more decrease from the gross receipts of the business during the first quarter of 2020.</li> </ul> <p><i>Note:</i> An eligible business may have been temporarily “closed” or not in business for a portion of time due to COVID-19 and can still qualify for a second draw PPP. Additionally, eligibility rules require the applicant to have received and exhausted a first draw PPP loan for eligible expenses before receiving a second draw. There does not appear to be a requirement that a first draw PPP loan must be forgiven before applying for, or receiving, a second draw PPP loan. First draw PPP recipients can take up to 10 months after finishing the covered period to submit the forgiveness application. While SBA retains the ability to review unresolved first draw loans, in which eligibility or eligible loan amounts are in question, these procedures do not disqualify an eligible unresolved borrower from receiving a second draw PPP loan.</p>
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**Calculation and Documentation of “Gross Receipts”**

<p><b>What is included in the calculation of “Gross Receipts?”</b></p>	<p>“Gross Receipts” include all revenue in “whatever form received or accrued from whatever source,” including from sales of products or services, interest, dividends, rents, royalties, fees, or commissions, reduced by returns and allowances. Generally, receipts are considered “total income” (or in the case of a sole proprietorship, independent contractor, or self-employed individual “gross income”) plus “cost of goods sold,” and excludes net capital gains or losses.</p>
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<p><b>What is not included in the calculation of “Gross Receipts?”</b></p>	<p>“Gross Receipts” cannot include a forgiven PPP loan; taxes collected for and remitted to a taxing authority if included in gross or total income (such as sales or other taxes collected from customers and excluding taxes levied on the concern or its employees); proceeds from transactions between a concern and its domestic or foreign affiliates; and amounts collected for another by a travel agent, real estate agent, advertising agent, conference management service provider, freight forwarder or customs broker. All other items, such as subcontractor costs, reimbursements for purchases a contractor makes at a customer’s request, investment income, and employee-based costs such as payroll taxes, may not be excluded from gross receipts.</p>
<p><b>Does the SBA require any documentation for calculating “Gross Receipts?”</b></p>	<ol style="list-style-type: none"> <li>1. Gross receipts documentation is required for all applicants of \$150,000+ loans, but lenders must also conduct a “good faith review” of all documentation for forgiveness.</li> <li>2. For second draw loans greater than \$150,000, an applicant must show documentation to the lender to show the 25% loss, such as annual tax forms or (if relevant tax forms are not available) quarterly financial statements or bank statements.</li> <li>3. For second draw loans of \$150,000 or less, documentation is not required at the time of application, but must be submitted on or before the date the borrower applies for loan forgiveness.</li> </ol>
<p><b>Calculation of Eligible PPP Second Draw Loan Relief</b></p>	
<p><b>How much relief am I eligible for from a Second Draw PPP Loan?</b></p>	<p>The maximum PPP second draw loan available to any business is \$2 million. Most businesses can determine their Second Draw PPP Loan amount by choosing an average monthly payroll option and multiplying the figure by 2.5; NAICS 72 Restaurants or Hotels can multiple that figure by 3.5.</p> <p>SBA has three options to calculate the average monthly payroll figure that is multiplied by 3.5 to calculate the second draw loan amount:</p> <ol style="list-style-type: none"> <li>1. Use the average monthly payroll from 2019, or;</li> <li>2. Use the average monthly payroll from 2020, or;</li> <li>3. Borrowers who are not self-employed (including sole proprietorships and independent contractors) can also use the average monthly payroll for the 12-month period before the PPP second draw loan origination date.</li> </ol> <p>For a new entity, that did not exist during the one-year period before February 15, 2020, but was in operation on February 15, 2020, its loan amount can be calculated by</p>

	<p>multiplying the below figure by 3.5 for businesses in Food and Accommodation Services or 2.5 for all other eligible businesses:</p> <ol style="list-style-type: none"> <li>1. The sum total of monthly payments made by the borrower to cover payroll costs (as of the date the borrower applies for the second draw loan) and dividing that sum by:</li> <li>2. The number of months in which those payroll costs were paid.</li> </ol>
<p><b>PPP Forgiveness Process and Requirements</b></p>	
<p><b>Can I receive forgiveness on a Second Draw PPP Loan?</b></p>	<p>The loan forgiveness process is mostly maintained from the Paycheck Protection Program Flexibility Act, signed into law in June 2020. Now, an applicant may select a covered period between 8 and 24 weeks at the election of the borrower. Similar to the first draw PPP, a second draw borrower must use at least 60% of the PPP proceeds for payroll expenses, and no more than 40% of the proceeds for non-payroll expenses.</p> <ul style="list-style-type: none"> <li>• <i>Example:</i> If a borrower receives a \$100,000 PPP loan, and during the covered period the borrower spends \$54,000 (or 54%) of its loan on payroll costs, the maximum amount of loan forgiveness the borrower may receive is \$90,000 (with \$54,000 in payroll costs constituting 60% of the forgiveness amount and \$36,000 in non-payroll costs constituting 40% of the forgiveness amount).</li> </ul>
<p><b>What are forgivable “Payroll Expenses?”</b></p>	<p>Examples of forgivable Payroll Expenses include:</p> <ul style="list-style-type: none"> <li>• Salary, wages, commissions, cash tips or the equivalent (based on employer records of past tips or a reasonable, good-faith employer estimate of such tips);</li> <li>• Payment for vacation, parental, family, medical, or sick leave;</li> <li>• Allowance for separation or dismissal;</li> <li>• Payment for the provision of employee benefits consisting of group health care or group life, disability, vision, or dental insurance, including insurance premiums, and retirement;</li> <li>• Payment of state and local taxes assessed on compensation of employees; and</li> <li>• For an independent contractor or sole proprietor, this includes wages, commissions, income, or net earnings from self-employment, or similar compensation.</li> </ul>
<p><b>What is not a forgivable “Payroll Expense?”</b></p>	<p>Excluded Payroll Expenses include:</p> <ul style="list-style-type: none"> <li>• Compensation for employees living outside the U.S.;</li> </ul>

	<ul style="list-style-type: none"> <li>• Compensation of an employee in excess of \$100,000 per year (prorated for the period during which the payments are made or the obligation to make the payments is incurred);</li> <li>• Federal employment taxes imposed or withheld during the applicable period, including the employee’s and employer’s share of Federal Insurance Contributions Act (FICA) and Railroad Retirement Act taxes, and income taxes required to be withheld from employees; and</li> <li>• Qualified sick and family leave wages through the Families First Coronavirus Response Act.</li> </ul>
<p><b>What are forgivable “Non-Payroll Expenses?”</b></p>	<p>Forgivable Non-Payroll Expenses are as follows:</p> <ul style="list-style-type: none"> <li>• Rent payments;</li> <li>• Mortgage interest payments (but not mortgage prepayments or principal payments);</li> <li>• Utility payments;</li> <li>• Interest payments on any other debt obligations incurred before February 15, 2020;</li> <li>• Refinancing an SBA EIDL loan made between January 31, 2020 and April 3, 2020;</li> <li>• Operations expenditures (payments for any business software, including technology purchased by a franchisor to train new or existing franchisees in the wake of COVID-19, cloud computing service for business operations, product or service delivery, the processing, payment, or tracking of payroll expenses, human resources, sales and billing functions, or accounting or tracking of supplies, inventory, records and expenses);</li> <li>• Property damage costs related to vandalism or looting due to public disturbances that occurred during 2020, not covered by insurance or other compensation;</li> <li>• Supplier costs for goods that are essential to the business’ operations at the time when the expenditure is made and is made for a contract, order, or purchase order 1) in effect at any time before the covered period with respect to the second draw loan; or 2) with respect to perishable goods, in effect before or at any time during the covered period with respect to the applicable covered loan.</li> <li>• Worker protection expenditures are defined as: operating or capital expenses to adapt business activities to comply with guidance from federal agencies (HHS, CDC, OSHA), or any equivalent guidance from a state or local government, during the period beginning on March 1, 2020 until the</li> </ul>

	<p>national COVID-19 emergency expires related to new standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19. These expenditures include:</p> <ul style="list-style-type: none"> <li>○ Purchase, maintenance, or renovation of assets to create or expand a drive-thru window facility;</li> <li>○ An indoor, outdoor, or combined air or air pressure ventilation or filtration system;</li> <li>○ A physical barrier such as a sneeze guard;</li> <li>○ An expansion of additional indoor, outdoor, or combined business space;</li> <li>○ An onsite or offsite health screening capability;</li> <li>○ Other “assets” determined by SBA;</li> <li>○ Particulate filtering facepiece respirators approved by the NIOSH, including those approved only for emergency use authorization; and</li> <li>○ Other kinds of personal protective equipment, as determined by SBA.</li> </ul>
<p><b>How does a borrower apply for PPP Forgiveness?</b></p>	<p>PPP borrowers—for both first draw and second draw—with loans of up to \$150,000 can use a streamlined, one-page loan forgiveness form.</p> <p>Borrowers are required to certify they have complied with the program. PPP loans of up to \$150,000 will be forgiven if the PPP borrower:</p> <ol style="list-style-type: none"> <li>1. Submits simple, one-page certification with a description of the number of employees the eligible recipient was able to retain and the estimated amount of the covered loan spent by the eligible recipient on payroll costs, and</li> <li>2. Affirms that the borrower accurately provided the one-page certification and complied with PPP requirements; and retains records to comply with requirements: <ol style="list-style-type: none"> <li>a. for employment records, the four-year period after submission of the forgiveness application; and</li> <li>b. for other records, the three-year period after submission of the forgiveness application.</li> </ol> </li> </ol> <p>When a PPP borrower submits a one-page certification and retains the proper documentation, it appears the lender can approve forgiveness in full. All borrowers may be subject to SBA audit. For borrowers with loans over \$150,000, the documentation and process remain the same.</p>

<p><b>If I accepted an Economic Injury Disaster Loan (EIDL) or EIDL Advance Grant, will it be deducted from any PPP Forgiveness I receive?</b></p>	<p>The SBA will no longer reduce a PPP borrower’s forgiveness amount based on the amount received from a separate Economic Injury Disaster Loan (EIDL) advance grant. Any EIDL advance amounts previously deducted from a borrower’s forgiveness amount are to be remitted to the lender, together with interest to the remittance date.</p>
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**PPP Tax Deductibility**

<p><b>Are expenses paid with PPP funds tax deductible?</b></p>	<p>Under normal circumstances, forgiven loan amounts are generally taxable for federal income tax purposes, but the CARES Act, under section 1106(i) of the act, expressly excludes the forgiveness of PPP loans from federal gross income, and thus federal income tax. Allowable business expenses paid with PPP funds, from round one or two, are now tax deductible.</p> <p>However, forgiven loan amounts may be subject to state income taxes. Whether a borrower’s loan forgiveness is taxable at the state level largely rests on the particular state’s conformity rules.</p> <p><i>Note:</i> The latest pandemic relief bill amended the CARES Act to specify that no deduction would be denied, no tax attribute would be reduced, and no basis increase would be denied, by reason of the exclusion from gross income of the forgiveness of an eligible loan. The change applies for tax years ending after March 27, 2020. The new revenue ruling makes “obsolete” previous IRS/Treasury guidance from the IRS and the Treasury last year in Notice 2020-32 and Revenue Ruling 2020-27, which stated that PPP loan forgiveness expenses could not be deducted.</p> <p>IFA spearheaded coalition advocacy efforts to include PPP Tax Deductibility in the most recent COVID-Relief package, including the submission of a <a href="#">sign-on letter</a> that racked up support of 96 other Associations to House and Senate leadership.</p>
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**Second Draw PPP Loan Terms**

<p><b>What are the terms of Second Draw PPP Loans?</b></p>	<p>Second Draw PPP Loan Terms are as follows:</p> <ul style="list-style-type: none"> <li>• The federal guarantee percentage remains at 100% of the loan, with no collateral or personal guarantees required by borrowers;</li> <li>• The interest rate is 1%, calculated on a noncompounding, non-adjustable basis;</li> <li>• The loan maturity is five years; and</li> <li>• Loans will be processed by lenders under “delegated authority,” as lenders can rely on</li> </ul>
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	borrower certifications to determine the borrower's eligibility and use of loan proceeds.
<b>Individual Questions and Answers</b>	
<b>Are there other PPP resources we should know about?</b>	<p>For a list of helpful resources, please see below:</p> <ul style="list-style-type: none"> <li>• <a href="#">Application for Second Draw PPP: Form 2483-SD – Second Draw Borrower Application</a> (Released 1/8/21)</li> <li>• <a href="#">Application for First Draw PPP: Form 2483 – First Draw Borrower Application</a> (Updated 1/8/21)</li> <li>• <a href="#">Interim Final Rule on Second Draw Loans</a> (Released 1/6/2021)</li> <li>• <a href="#">SBA Guidance on Accessing Capital for Minority, Underserved, Veteran and Women-Owned Business Concerns</a> (Released 1/6/2021)</li> <li>• <a href="#">Interim Final Rule on Paycheck Protection Program as Amended by Economic Aid Act</a> (Released 1/6/2021)</li> <li>• <a href="#">Top-Line Overview of First Draw PPP Loans</a> (Released 1/8/21)</li> <li>• <a href="#">Top-Line Overview of Second Draw PPP Loans</a> (Released 1/8/21)</li> <li>• <a href="#">Interim Final Rule #1 – PPP as Amended by Economic Aid Act</a> (Released 1/6/21)</li> <li>• <a href="#">Interim Final Rule #2 – PPP Second Draw Loans</a> (Released 1/6/21)</li> <li>• <a href="#">Accessing Capital for Minority Underserved, Veteran and Women-Owned Business Concerns Guidance</a> (Released 1/6/21)</li> <li>• <a href="#">Procedural Notice – Modifications to SBA Forms 3506, 3507 and 750 CA</a> (PPP only) (Released 1/8/21)</li> <li>• <a href="#">Procedural Notice - SBA Procedural Notice on Repeal of EIDL Advance Deduction Requirement</a> (Released 1/8/21)</li> </ul>
<b>Is there going to be a second round of the EIDL loan? If so, if I received the first round am I eligible for the second round?</b>	It does not appear you can get a second EIDL loan. However, if you already applied for an EIDL loan and were not approved, or if you need additional loan funds, you have six months from the date of the decline letter to apply for reconsideration.
<b>Will only franchise brands on the SBA registry be eligible for PPP or was that resolved in this round using the FTC rule?</b>	Despite IFA's efforts, the SBA continues to tie eligibility with the SBA Franchise Directory. IFA recommends working with the SBA to have placement of a brand on the SBA Franchise Registry. SBA's Stephen Olear (stephen.olear@sba.gov) has been helpful in instructing franchise brands in this process.
<b>The decline in revenue is measured how? 2020 quarter versus 2019 quarter, OR consecutive quarter decline?</b>	A 25% decline in revenue will be based on comparable quarters from 2019 and 2020. For example, Quarter 1 from 2019 should be compared to Quarter 1 from 2020.

<p><b>I've already received on PPP grant am I eligible for another?</b></p>	<p>Receiving a 1st Draw Loan does not disqualify a business from eligibility for a 2nd Draw Loan.</p>
<p><b>Do you have any sense of if the EIDL grant is still going to be deducted with the new auto forgiveness approval?</b></p>	<p>EIDL Advances will not be deducted from PPP Loan Forgiveness.</p>
<p><b>What time period will the SBA use for the 2nd round of PPP?</b></p>	<p>The SBA's authority to guaranty both first and second draw loans expires March 31, 2021, which means lenders and borrowers will need to close both new first draw and second draw loans before then.</p> <p>The guidance states that, at the election of the borrower, the relevant time periods for calculating a borrower's payroll costs for a Second Draw are:</p> <ul style="list-style-type: none"> <li>a. Calendar Year 2019;</li> <li>b. Calendar Year 2020; or</li> <li>c. The 12-month period prior to when the loan is made.</li> </ul> <p>For new businesses without 12 months of payroll costs but that were in operation on February 15, 2020, average monthly payroll may be calculated based on the number of months in which payroll costs were incurred.</p> <p>The guidance further states that businesses that are part of a single corporate group may not receive more than \$4 million of Second Draw PPP monies, in the aggregate.</p>
<p><b>Regarding SBA 7a loans: Were changes made to fees for SBA 7a loans? Was the loan guaranty % increased from 75% to 90% for SBA 7a loans?</b></p>	<p>Yes, the fees have been temporarily reduced or waived and 7a loan guarantees were temporarily increased to 90%.</p> <p><a href="https://www.sba.gov/sites/default/files/articles/12-29-20_SBA_provisions_in_new_legislation_0.pdf">https://www.sba.gov/sites/default/files/articles/12-29-20_SBA_provisions_in_new_legislation_0.pdf</a></p> <p><i>Note:</i> The IFA spearheaded a <a href="#">coalition letter</a> to House and Senate leadership that garnered over 110 signatories on this issue.</p>
<p><b>What is the timeframe for calculating the 2.5x payroll for PPP loan size? can we use 2019 payroll as we did for PPP1?</b></p>	<p>Most borrowers may receive 2.5 times the average total monthly payroll costs incurred or paid during the 1-year period before the date on which the loan is made or, at the election of the borrower, calendar year 2019.</p>
<p><b>Do PPE purchases include remodeling for more social distancing, or changes to facilities to make it safer in any way, like new flooring, HVAC air purification systems, etc?</b></p>	<p>Yes.</p>

<p><b>With the repeal of the EIDL advance payment deduction on the PPP loans, will that be retroactive? Meaning if my 1st PPP was already forgiven minus the EIDL advance amount, will that advance also now be forgiven?</b></p>	<p>The Economic Aid Act repeals the CARES Act provision requiring EIDL Advance Amounts received by a PPP borrower be deducted from the forgiveness payment made by the SBA to the PPP lender. If a PPP borrower had its EIDL Advance Amount deducted from its forgiveness amount for a PPP loan already forgiven by the SBA, the SBA will remit to the PPP lender the EIDL Advance Amount, together with interest on that amount to the date of remittance, for further disbursement to the PPP borrower, if applicable.</p>
<p><b>If the initial PPP loan was over \$150K (our loan was \$151K), does the express forgiveness apply to the first \$150K and/or can the amount over \$150K be returned to get under \$150K?</b></p>	<p>Express forgiveness only applies to PPP loans at \$150k or less. The option to return a portion of the funds to the SBA is unanswerable by IFA.</p>
<p><b>I didn't get the EIDL advance because their funding ran out. Will there be additional funding for those who didn't get the advance on EIDL?</b></p>	<p>Additional funding for EIDL grants has been allocated.</p>
<p><b>Will that streamlined forgiveness application be the same for PPP2?</b></p>	<p>Yes.</p>
<p><b>Will payments to independent contractors be eligible for calculating your average monthly payroll or will it only be employees like ppp1?</b></p>	<p>Payments to independent contractors are not eligible to be included in the payroll calculation, since independent contractors are eligible to apply for their own PPP loans.</p>
<p><b>Will the SBA automatically be paying principal and interest on loans like they did earlier this year?</b></p>	<p>Yes, the new legislation extends the Small Business Debt Relief program, Section 1112 of the CARES Act, which would defer payments of principal and interest on new and existing SBA 7(a), 504, and Microloan programs for eligible entities.</p>
<p><b>Do I have to apply for forgiveness first before applying for a new PPP loan?</b></p>	<p>No requirement exists for borrowers to apply for forgiveness before applying for a Second Draw Loan.</p>
<p><b>If a company still has EIDL funds in their account, can they still apply for the PPP round 2?</b></p>	<p>No requirement exists for borrowers to spend EIDL funds in order to be eligible for a Second Draw Loan.</p>
<p><b>I received the first PPP loan through Wells Fargo. Do I have to wait and follow Wells Fargo PPP forgiveness protocol in order to apply for forgiveness?</b></p>	<p>You must apply for PPP forgiveness through your lender. Your lender has up to 60 days to review your forgiveness application. You may be fully or partially approved for forgiveness or denied altogether. Once the initial review is complete, the lender will send their decision to the SBA.</p> <p>The SBA has up to 90 days to evaluate your application and may contact you directly for additional information. Once they confirm the lender's decision or revise the amount that's forgiven, your lender will let you know the final result of the decision.</p>

<p><b>Is the payroll calculated over 8 or 24 weeks?</b></p>	<p>Borrowers have the flexibility to choose a time frame between the 8-24 weeks period to spend all eligible funds in order to streamline forgiveness. Payroll is calculated on 2.5 times monthly operating expenses.</p>
<p><b>Any predictions on when the new PPP applications will be open? Rulemaking timelines?</b></p>	<p>New PPP applications opened on Monday, January 11th. The SBA is prioritizing businesses owners from underserved communities for the first few days.</p>
<p><b>Is there any way to receive PPP if you opened after February 15<sup>th</sup>, 2020?</b></p>	<p>If an entity was not in business during 2019 but was in business by February 15, 2020, then such borrower can compare their gross receipts during the second or third quarter to the first quarter of 2020 to see if they qualify.</p>
<p><b>Is ERTC retroactive for people that took PPP to March?</b></p>	<p>Companies that received PPP funding are now eligible to also apply for the Employee Retention Credit with some restrictions that prohibit double dipping. The legislation is retroactive meaning that companies receiving PPP will be eligible for to apply for ERTC for wages paid from March 27 to December 31, 2020. The ERTC program is extended by six months through June 30, 2021.</p> <p>The IFA spearheaded coalition efforts on this issue and submitted a <a href="#">letter to House and Senate leadership</a>, which garnered over 130 association signatories.</p>

<p><b>Is the cost of having employees tested as part of contact tracing and spread prevention considered a forgivable expense?</b></p>	<p>Yes, eligible and forgivable "Non-payroll" expenses include "Worker protection expenditures," which are defined as:</p> <ul style="list-style-type: none"> <li>• Operating or capital expenses to adapt business activities to comply with guidance from federal agencies (HHS, CDC, OSHA), or any equivalent guidance from a state or local government, during the period beginning on March 1, 2020 until the national COVID-19 emergency expires related to new standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19. These expenditures include: <ul style="list-style-type: none"> <li>○ Purchase, maintenance, or renovation of assets to create or expand a drive-thru window facility;</li> <li>○ An indoor, outdoor, or combined air or air pressure ventilation or filtration system;</li> <li>○ A physical barrier such as a sneeze guard;</li> <li>○ An expansion of additional indoor, outdoor, or combined business space;</li> <li>○ An onsite or offsite health screening capability;</li> <li>○ Other "assets" determined by SBA;</li> <li>○ Particulate filtering facepiece respirators approved by the NIOSH, including those approved only for emergency use authorization; and</li> <li>○ Other kinds of personal protective equipment, as determined by SBA.</li> </ul> </li> </ul>
<p><b>Would worker's comp and company car auto insurance be forgiven under PPP?</b></p>	<p>Under current SBA guidance, workers' compensation insurance costs do not qualify as "payroll costs." No language exists to include company auto insurance as an eligible/forgivable expense.</p>

<p><b>Where does Rent and Utilities play into the automatic forgiveness?</b></p>	<p>The loan forgiveness process is mostly maintained from the Paycheck Protection Program Flexibility Act, signed into law in June 2020. An applicant selects a covered period between 8 and 24 weeks at the election of the borrower. Similar to the first draw PPP, a second draw borrower must use at least 60% of the PPP proceeds for payroll expenses, and no more than 40% of the proceeds for non-payroll expenses.</p> <p>Rent and Utilities fall under forgivable “Non-Payroll” Expenses.</p> <p><i>Example:</i> If a borrower receives a \$100,000 PPP loan, and during the covered period the borrower spends \$54,000 (or 54%) of its loan on payroll costs, the maximum amount of loan forgiveness the borrower may receive is \$90,000 (with \$54,000 in payroll costs constituting 60% of the forgiveness amount and \$36,000 in non-payroll costs constituting 40% of the forgiveness amount).</p>
<p><b>Earlier this year, we opted for the Employee Retention Tax Credit over taking the PPP loan. Can we get the PPP loan this time or do we have to stay with the Employee Retention credit ONLY?</b></p>	<p>Employers can now take advantage of the U.S. Small Business Administration's (SBA) Paycheck Protection Program (PPP) and claim ERTC. This part of the new law is retroactive, allowing SBA PPP recipients to retroactively claim ERTC.</p>
<p><b>Will SBA loan payments be deductible?</b></p>	<p>The appropriations act includes the COVID-related Tax Relief Act of 2020, which provides for the full federal deductibility of ordinary and necessary business expenses that were paid with a forgiven or forgivable PPP loan.</p>
<p><b>Are you precluded from accessing PPP funds on second draw if you are in bankruptcy or in default with SBA?</b></p>	<p>Entities in bankruptcy are ineligible for PPP. Likewise, you are ineligible if you, or any business owned or controlled by you or any of your owners, has ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is currently delinquent or has defaulted within the last seven years and caused a loss to the government.</p>
<p><b>Round two requires 300 or less employees. Is there still an exception allowing more employees for SIC codes starting with 72?</b></p>	<p>The borrower may not have more than 300 employees. The limitation to 300 employees is a reduction from the 500-employee limitation that applied to first draw PPP loans. However, business concerns that have more than one physical location and are 72 NAICS-coded companies (Accommodation and Food Services) may employ not more than 300 employees per physical location and retain eligibility.</p>

<p><b>What if you are a new franchise that launched late 2019/early 2020 and don't have a full year of financials from previous year to demonstrate revenue loss?</b></p>	<p>For a new entity, that did not exist during the one-year period before February 15, 2020, but was in operation on February 15, 2020, its loan amount can be calculated by multiplying the below figure by 3.5 for businesses in Food and Accommodation Services or 2.5 for all other eligible businesses:</p> <ol style="list-style-type: none"> <li>1. The sum total of monthly payments made by the borrower to cover payroll costs (as of the date the borrower applies for the second draw loan) and dividing that sum by:</li> <li>2. The number of months in which those payroll costs were paid.</li> </ol>
<p><b>Are sanitizing items forgivable though? Wipes, etc.?</b></p>	<p>Yes.</p>
<p><b>If a franchisee didn't apply for PPP in the 1st draw, are they still able to apply for PPP now?</b></p>	<p>Businesses that have not applied for a First Draw Loan under PPP may do so until March 31, 2021.</p>
<p><b>My business was created in 2019 but was operational as a new franchisee location only in Aug 2020. I didn't qualify for PPP in the last round. Will I be eligible in this latest round for PPP loans?</b></p>	<p>A new entity must have been in operation by February 15, 2020 to be eligible for a PPP Loan.</p>
<p><b>With the restaurant industry, how many months of payroll at 3.5 times payroll?</b></p>	<p>SBA has three options to calculate the average monthly payroll figure that is multiplied by 3.5 to calculate the second draw loan amount:</p> <ol style="list-style-type: none"> <li>1. Use the average monthly payroll from 2019, or;</li> <li>2. Use the average monthly payroll from 2020, or;</li> <li>3. Borrowers who are not self-employed (including sole proprietorships and independent contractors) can also use the average monthly payroll for the 12-month period before the PPP second draw loan origination date.</li> </ol>
<p><b>EIDL advance payments that were not \$10,000 -- does the bill promise to plus up payments that SBA wrongly limited, for example to \$1000 per employee, as they were doing for a while?</b></p>	<p>In 2020, the EIDL grant was limited at \$1,000 per employee up to a maximum of \$10,000 per business. In 2021, businesses that received a grant for less than \$10,000 can apply for the difference. If a business received a \$2,000 grant with their EIDL, they are eligible to apply for \$8,000.</p>
<p><b>To confirm- 2nd round can be any quarter of 2019 compared to the same quarter of 2020?</b></p>	<p>Yes. Potential borrowers must show a 25% decline in gross receipts from a quarter in 2019 to the same quarter in 2020.</p>
<p><b>If I lost 1 employee during the past year can I still get some forgiveness of PPP?</b></p>	<p>Yes, but your amount of forgiveness will be reduced proportionately.</p>

<p><b>Are tax credits for paid leave still available after 12/31? If we want to offer it, are the credits still available?</b></p>	<p>The federal Families First Coronavirus Response Act (“FFCRA”), which required that employers with fewer than 500 employees provide sick and family leave benefits for certain COVID-19 related reasons, sunset on December 31, 2020. These provisions were ultimately not extended, meaning that employers will not be required to provide paid leave under the FFCRA after December 31, 2020.</p> <p>Despite that the FFCRA’s leave provisions were not extended into 2021, the latest relief package extended the FFCRA tax credit, which reimburses employers for the cost of providing FFCRA leave, through March 31, 2021. As a result, beginning on January 1, 2021, employers are no longer required to provide FFCRA leave; however, covered employers who voluntarily offer such leave may utilize payroll tax credits to cover the cost of benefits paid to employees through the end of March.</p>
<p><b>We should wait until the new forgiveness form before applying for the last PPP loan?</b></p>	<p>No requirement exists the borrowers must submit a forgiveness application on First Draw PPP Loans in order to apply for Second Draw PPP Loans.</p>
<p><b>Is there any forgiveness on EIDL?</b></p>	<p>Other than the EIDL Advance Grant, no avenue for forgiveness is available for EIDL Loans.</p>
<p><b>Are there any restriction to getting a second PPP loan if you have received EIDL as well as first round PPP funds</b></p>	<p>No. A business is eligible for a Second Draw Loan, so long as it meets the following requirements:</p> <ol style="list-style-type: none"> <li>1. Employs not more than 300 employees;</li> <li>2. Has or will use the full amount of their first PPP loan; and</li> <li>3. Had gross receipts during the first, second, third, or, only with respect to an application submitted on or after January 1, 2021, fourth quarter in 2020 that demonstrate not less than a 25 percent reduction from the gross receipts of the entity during the same quarter in 2019.</li> </ol>
<p><b>Will businesses requesting &lt;\$150k get priority to ensure that the monies go to them first, ensuring that the funds aren't depleted by large requesters?</b></p>	<p>Yes, there are multiple set asides for smaller businesses to ensure that does not happen.</p>
<p><b>Do you need payroll to qualify?</b></p>	<p>Under the Paycheck Protection Program, "payroll costs" for a sole proprietor or independent contractor would include: wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis for each employee. For example, if you are a sole proprietor or independent contractor without payroll and your net profit was over \$100,000 in 2019, your payroll costs would be capped at \$100,000. You would divide this by 12 to get \$8,333.33 as your monthly average payroll.</p>

<p><b>The SBA will be paying 7a loan until end of the march?</b></p>	<p>Loan payments will be deferred for borrowers who apply for loan forgiveness until SBA remits the borrower's loan forgiveness amount to the lender. If a borrower does not apply for loan forgiveness, payments are deferred 10 months after the end of the covered period for the borrower's loan forgiveness (either 8 weeks or 24 weeks).</p>
<p><b>Are PPP provisions only applicable to those who received PPP previously? In other words, if you were shut out of the first PPP round, i.e., didn't get PPP in first round, can you now apply for these PPP funds as a new fundee?</b></p>	<p>Businesses that have not applied for a First Draw Loan under PPP may still do so until March 31, 2021.</p>
<p><b>For Food or Accommodation services, is 3.5 times average payroll for the year of 2020 or 2019? I have been closed for 5 months; therefore, my payroll is drastically down this year.</b></p>	<p>A second draw loan equals either 2.5 times (or 3.5 for Food and Accommodations Services) the average monthly payroll during the 1-year period before the date on which the loan is made. Or 2.5 times the average monthly payroll during the calendar year 2019.</p>