U.S. Small Business Administration
Revisions to Paycheck Protection Program (PPP)

Before We Get Started...

**Recording:** The participants are muted, and the webinar is being recorded

**Questions:** Submit your questions in the meeting chat – we will answer as many as we can today and recap the most frequently asked questions at the end during Q & A portion

**Closed Captions:** Turn on captions/subtitles in the video controls from the menu at the bottom of your screen

**Sound:** Sound issues are generally user broadband issues – If you lose sound or experience echoing:
- Exit the event and re-enter
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- Use Microsoft Edge or Google Chrome

**Help:** Microsoft website with Microsoft Live audience help tips:
- [Help on attending a live event in Teams - Office Support (microsoft.com)](https://support.microsoft.com); or
- Do an internet search for “Attend a Live event in teams”; Choose the link that begins with [https://www.support.microsoft.com](https://www.support.microsoft.com)
Today’s Agenda

1. SBA COVID-19 Economic Aid Funding Options
2. PPP Loan Program/Funding/Forgiveness Update
3. EIDL/Targeted EIDL Advance Program Update
4. Debt Relief Adjustment Plan
5. Revisions to Schedule C Loan Amount Calculation
6. Questions and Answers
SBA COVID-19 Economic Aid Funding Options

Loan Programs

- $284.45 Billion Paycheck Protection Program (PPP)
- $3.5 Billion Debt Relief Program and $2 Billion Enhancement to SBA 7(a), 504 and Microloans
- Economic Injury Disaster Loan (EIDL) and $20 Billion Targeted EIDL Advance

Grant Programs

- $15 Billion Shuttered Venue Operators Grant (SVOG)
PPP Activity – Nationwide and MA
As of March 7, 2021

• SBA released updated PPP loan approvals at Paycheck Protection Program (PPP) Report: Approvals through 03/07/2021 (sba.gov)

• Nationwide there are 2,409,105 PPP loans approved for a total of $164,950,550,832

• In Massachusetts there are 50,378 PPP loan approvals for $4,711,896,201

• By number of approvals we are at 2.1% of nationwide activity representing 2.9% of the dollar figure.

• Nationwide First Draw PPP loans represent 11% of the dollar figure and 33% of total activity

• In round numbers 74% of PPP loans are under $50,000 and 91% are under $150,000

• Average PPP loan size is $68,000
### Nationwide PPP Forgiveness Data

*Data as of March 4, 2021*

#### Forgiveness by loan count

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<tr>
<th>Description</th>
<th>Count</th>
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<tr>
<td>Total 2020 PPP volume</td>
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<td>Forgiven</td>
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<td>Amount not forgiven</td>
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<tr>
<td>Under review</td>
<td>250k</td>
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<tr>
<td>Applications not yet received</td>
<td>3.0M</td>
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</table>

#### Forgiveness by dollar amount

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
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<tr>
<td>Forgiven</td>
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<tr>
<td>Amount not forgiven</td>
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<tr>
<td>Under review</td>
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<tr>
<td>Applications not yet received</td>
<td>$265.0B</td>
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COVID-19 Economic Injury Disaster Loan (EIDL)

Provides economic aid to businesses experiencing a temporary loss of revenue due to COVID-19

Economic Aid Act Extends Deadline to Dec. 31, 2021

- **Use of proceeds:** working capital and normal operating expenses such as continuation of health care benefits, rent, utilities, fixed debt payments

- **Terms:** 3.75% for businesses (fixed), 2.75% for nonprofits (fixed), 30 years, no pre-payment penalty; loans over $25,000 secured by UCC filing ($100 deducted from loan proceeds)

- **Eligibility:** qualified small businesses, cooperatives and agricultural enterprises with 500 or fewer employees (or defined as small per [sba.gov/sizestandards](http://sba.gov/sizestandards)), and private non-profits

SBA.gov/Disaster
New Program: Targeted EIDL Advance

No action required until contacted by the SBA via direct email invite

New Program in the Economic Aid Act

• Will balance out a previous EIDL Advance to the full $10,000 if the business is: 1) in a low-income community; 2) suffered greater than 30% economic loss; and 3) has 300 or fewer employees

• Those who applied for an EIDL Advance but didn’t receive funds due to lack of funding will receive a full $10,000 if they meet same requirements above and per Targeted EIDL Advance funding availability

• The SBA will reach out to those who may qualify via email with instructions to determine eligibility and submit documentation.
New Program: Targeted EIDL Advance

Items needed to verify eligibility and submit

- 2019 Federal Tax Return (recommended to have on hand when applying)
- EIN/SSN as specified in original EIDL application
- Monthly gross receipts for 2019, 2020, and completed months in 2021
- Confirm information in original EIDL application is still accurate (changes may require a manual review and documentation)
- Applicants that pass the initial eligibility requirements will be required to sign a 4506-T for the SBA to obtain tax transcripts before the agency can approve the Targeted EIDL Advance

SBA.gov/CoronavirusRelief
New Program: Targeted EIDL Advance

Application Process

• Only one submission for each Targeted EIDL Advance can be made

• Carefully review the bank account information

• Ensure information submitted is 100% correct; due to limited Targeted EIDL Advance funds, the SBA will not be able to make reconsiderations

• SBA’s goal is to process completed applications within 21 days; applications may not be considered complete until after IRS Form 4506-T is received

• Application questions: TargetedAdvance@sba.gov

• If approved: You will receive an email & ACH deposit to the bank account provided
New Program: Shuttered Venue Operators Grant

Applications not yet open; will need SAM.gov registration to apply

Eligible Entities

• Live venue operators or promoters
• Theatrical producers
• Live performing arts organization and motion picture theater operators
• Relevant museum operators, zoos and aquariums who meet specific criteria
• Talent representatives
• Up to five business entities owned by an eligible entity that also meet the eligibility requirements

Plus …

• Must have been in operation as of Feb. 29, 2020
• Venue or promoter must not have applied for / received a PPP loan on or after Dec. 27, 2020

SBA.gov/CoronavirusRelief
CARES Act Section 1112 Payments
Adjustment to Number of Payments in the 7(a), 504 and Microloan Programs Due to Insufficiency of Funds

Procedural Notice 5000-20095 effective February 16, 2021

This presentation is developed to provide a general overview of PPP loan processes related to provisions in the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (the Economic Aid Act). In the event of any inconsistency between this presentation and the Economic Aid Act, the Paycheck Protection Program Flexibility Act of 2020, the CARES Act, PPP IFRs, PPP FAQs, PPP Application Forms and Instructions, and other PPP guidance (together, official guidance), the official guidance governs.

Information Current as of 3/08/21 – Visit SBA.gov/CoronavirusRelief for the most up-to-date information.
Adjustment Plan to Section 1112 Payments
Program for 7(a), 504 and Microloan Borrowers

• For complete details of the program please refer to all applicable Procedural Notices on Debt Relief Program

• For all loans, Round 1 Section 1112 payments must be complete before round 2 payments can begin

• Only Round 2 Section 1112 payments are capped at $9,000 per month per loan, borrowers are responsible for paying any excess amounts on a monthly basis and if unable to, must contact their lender immediately

• Hardest hit category “underserved” includes NAICS code beginning with 61, 71, 72, 213, 315, 448, 451, 481, 485, 487, 511, 512, 515, 532, or 812.

• Businesses that have received (or will receive) debt relief on any other 7(a) loan, 504 loan, or Microloan that was approved March 27, 2020 through September 27, 2020 are not eligible for Section 1112 payment assistance on any new loan approved February 1 to September 30, 2021

SBA.gov/CoronavirusRelief
Adjustment Plan applies to payments made in February 2021

Section 1112 Payments are based on SBA Loan Approval Date

• Loans approved between September 28, 2020 and January 31, 2021 are not eligible for Section 1112 Round 1 or Round 2 payment assistance.

• New Loans approved from between February 1 to September 30, 2021 will receive 3 months of Round 2 Section 1112 payments, subject to availability of funds

• Loans approved between March 27, 2020 to September 27, 2020 and fully disbursed on or before September 27, 2020 will receive 6 months of Round 1 Section 1112 payments and no Round 2 payments

• Loans approved between March 27, 2020 to September 27, 2020 and fully disbursed on or after September 28, 2020 will receive 3 months of Round 1 Section 1112 payments and no Round 2 payments

SBA.gov/CoronavirusRelief
Adjustment Plan applies to payments made in February 2021

Section 1112 Payments are based on SBA Loan Approval Date

- Loans approved before March 27, 2020 and fully disbursed on or before September 27, 2020 will receive 6 months of Round 1 Section 1112 payments plus 2 months Round 2 payments
- If business falls in underserved category, loans approved before March 27, 2020 and fully disbursed on or before September 27, 2020 will receive an additional 3 months of Round 2 Section 1112 payments
- Loans approved before March 27, 2020 and fully disbursed on or after September 28, 2020 will receive 3 months of Round 1 Section 1112 payments plus 2 months of Round 2 payments
- If business falls in underserved category, Loans approved before March 27, 2020 and fully disbursed on or after September 28, 2020 will receive an additional 3 months of Round 2 Section 1112 payments
Paycheck Protection Program
Revisions to Loan Amount Calculation and Eligibility
First and Second Draw PPP Loans

Loan Program Changes Published Interim Final Rule on 3-3-21
Schedule C Filers

Revisions to Loan Amount Calculation
First and Second Draw PPP Loans

• These revisions are not retroactive
• IFR and new application forms posted on Treasury and SBA’s website
• SBA began accepting new applications for Schedule C filers on Friday, March 5, 2021
Paycheck Protection Program (PPP)

Reporting Number of Employees

• SBA recently updated the PPP application forms (2483, 2483-SD, 2483-C, 2483-SD-C). Each of the new Borrower Applications provide instructions on counting number of employees:

• Applicants may use their average employment over the time period used to calculate their aggregate payroll costs to determine their number of employees.

• Alternatively, Applicants may elect to use the average number of employees per pay period in the 12 completed calendar months prior to the date of the loan application.

• “Per location” has been added to the applications for clarification on NAICS 72 and news organizations.
Paycheck Protection Program (PPP)

Schedule C Filers – Partnerships & LLCs

Question: Are partnerships and LLCs included in the revisions for Schedule C filers?

Answer:
Partners and partnerships are not included in the revisions
Single-member LLCs that file Schedule C are included*
Qualified joint ventures as defined by IRS are included*:
  • The only members are a married couple who file a joint return
  • Both spouses materially participate in the business
  • Both spouses elect not to be treated as a partnership
  • Other limitations apply – see IRS definition for full details

*Forms 2483-C and 2483-SD-C provide instructions for #employees & income
Paycheck Protection Program (PPP)

More flexibility for Schedule C Filers

- For borrowers that file IRS Form 1040 Schedule C:
  - “Income” now encompasses borrower’s net income and gross income to account for fixed and other business expenses
  - The revised definition of income allows revisions to the loan amount calculation
- Application Forms:
  - SBA Form 2483-C or 2483-SD-C: Only for Schedule C filers using gross income
  - SBA Form 2483 or 2483-SD: If using net income to calculate loan amount

SBA.gov/PPP
**Paycheck Protection Program (PPP)**

**Owner Compensation**

Why is “Owner Compensation” important? The new definition of owner compensation allows applicants to use either net profit or gross income in its calculation of total payroll costs.

**Schedule C filer - no employees:** Owner compensation is either gross income (line 7) or net profit (line 31)

**Schedule C filer – with employees:**

**Owner compensation:**

- Net profit (line 31); or
- Gross income (line 7) minus:
  - Line 14 (Employee benefit programs)
  - Line 19 (Pension and profit-sharing); and
  - Line 26 (Wages less employment credits)

Owner compensation does not include employee payroll costs (this is why lines 14, 19, & 26 are subtracted from gross income to determine owner calculation)

**Owner compensation + employee payroll costs (from Form 941) = total payroll costs**
Paycheck Protection Program (PPP)

Revised Formula – Schedule C Filer No Employees

First Draw PPP Loan - For Schedule C filer with no employees:

**Step 1:** From 2019 or 2020 IRS Form 1040, Schedule C, line 31 net profit or line 7 gross income

  • If this amount is over $100,000, reduce it to $100,000.
  • If both your net profit and gross income are zero or less, you are not eligible for a PPP loan

**Step 2:** Calculate the average monthly net profit or gross income amount (divide the amount from Step 1 by 12)

**Step 3:** Multiply the average monthly net profit or gross income amount from Step 2 by 2.5

This amount cannot exceed $20,833

**Step 4:** Add the outstanding amount of any Economic Injury Disaster Loan (EIDL) made between January 31, 2020 and April 3, 2020
Paycheck Protection Program (PPP)

Revised Formula - Schedule C Filer with Employees

First Draw PPP Loan - For Schedule C filer with employees:

**Step 1:** 2019 or 2020 Schedule C;

1. Calculate owner compensation share of payroll costs - Use either:
   - Net profit (line 31); **or**
   - Gross income (line 7) **minus** employee payroll costs (lines 14, 19, & 26)
2. If #1 is more than $100,000, reduce to $100,000; If less than zero, set to zero
3. Add eligible employee payroll costs (cash and non-cash (e.g. employer contributions to employee group health insurance, retirement contributions, etc.))

**Step 2:** Calculate the average monthly amount (divide the sum from Step 1 by 12)

**Step 3:** Multiply the average monthly amount from Step 2 by 2.5

**Step 4:** Add the outstanding amount of any EIDL made between Jan. 31, 2020 and April 3, 2020
Paycheck Protection Program (PPP)

Second Draw PPP Loans

• Same rules for loan amount calculation as First Draw PPP loan calculation except:
  • Loan amount may not exceed $2 million
  • Borrower with NAICS code beginning with 72:
    • Multiply average monthly payroll by 3.5
    • For a Schedule C filer without employees - this amount cannot exceed $29,167

Note: Second Draw PPP Loan eligibility requirements continue to apply to Schedule C filers (e.g. 25% reduction in gross receipts, which includes affiliates)
Paycheck Protection Program (PPP)

SBA Review of Good Faith Loan Necessity Certification

• First Draw PPP Loans:
  • If using gross income and the borrower reported more than $150,000 in gross income on the Schedule C used to calculate loan amount:
    • SBA may review Borrower’s certification concerning the necessity of the loan and whether the borrower complied with PPP eligibility criteria
    • If a loan is picked for review, the review will follow the same processes that apply to all other PPP loan reviews
  • Safe harbor applies if using:
    • Gross income and the Borrower reported $150,000 or less in gross income on the Schedule C used to calculate loan amount; or
    • Net income
  • Second Draw PPP Loans: Safe harbor applies because Applicants are required to certify that they had a reduction of gross receipts by at least 25%
Paycheck Protection Program (PPP)
Elimination of Restrictions – Non-Financial Fraud Felonies

• Eliminated: Restrictions on businesses with owners who have prior non-financial fraud felony convictions

• The elimination of the restriction is not retroactive

• Remaining in place: Restrictions on businesses with 20% or more owner who:
  • Has an arrest or conviction for a felony fraud related to financial assistance fraud within the past 5 years
  • Is currently incarcerated for a felony at the time of application

Note: Lenders must continue following the process for resolving hold codes and compliance check error message previously announced (SBA Procedural Notice 5000-20092)
Paycheck Protection Program (PPP)

Elimination of Restrictions – Student Loan Debt Delinquency & Defaults

- Eliminated: Restriction on businesses owned or controlled by owners who have Federal student loan debt that is currently delinquent or has defaulted and caused a loss to the Federal government.

- Retroactive: This change applies to new PPP applicants as well as those who have already received a PPP loan (This is the only retroactive change implemented in the IFR).

- SBA is automatically removing hold codes and compliance check error messages on loans related to Do Not Pay Education.
Paycheck Protection Program (PPP)

Elimination of Restrictions – Non-Citizen Owners

• Not in the IFR

• All lawful US residents have access to PPP

• E-Tran and the PPP platform permit the use of ITINs as the identifier for a business owned by a sole proprietor and for a principal

• ITIN: Individual Taxpayer Identification Number
  • Issued by IRS
  • Nine-digit number with format: 9XX-XX-XXXX
  • Always begins with “9”
Paycheck Protection Program (PPP)

Stay up to date…

• FAQs
• SBA's PPP Lenders page
• SBA’s PPP First Draw page
• SBA’s PPP Second Draw page
• IFR – Revisions to Loan Amount Calculation and Eligibility
• SBA Form 2483 – Borrower Application Form (First Draw)
• SBA Form 2483-SD – Borrower Application Form – Second Draw
• SBA Form 2483-C – Borrower Application Form – Schedule C Filer (using gross income) (First Draw)
• SBA Form 2483-SD-C – Borrower Application Form – Second Draw – Schedule C Filer (using gross income)
• SBA Form 2484 – Lender Application Form
• SBA Form 2484-SD – Lender Application Form – Second Draw
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Email: MassachusettsDO@sba.gov

Call: (617) 565-5590

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www.sba.gov/ppp - Paycheck Protection Program
www.sba.gov/svogrant - Shuttered Venue Operators Grant
Questions?