

## **1/6/2021 NFIB COVID-19 WEBINAR: WHAT YOU NEED TO KNOW ABOUT PPP 2.0**

Question: How will forgiveness work this time? I am still trying to get my original loan forgiven.

Answer: Many lenders have waited before they begin processing larger loan amounts because they were waiting to see about simplified forgiveness from Congress. We expect now that Congress has spoken on the issue, those who have waited will likely start processing the larger loans.

Question: Do we have to show a decrease in gross receipts if this is our initial/first PPP loan?

Answer: We do not believe so but are still waiting for guidance from SBA. We believe the original terms of the initial PPP loans remain in effect as they were in 2020. Our understanding is that the 25 percent gross receipts reduction applies only to second PPP loans.

Question: Do we calculate the 2.5 average monthly payroll and healthcare costs based on 2019 or 2020 costs?

Answer: You will use 2019 costs unless your business was not fully operational in 2019. If this was the case, please refer to our slide discussing what 2020 costs to refer to based on the date of business formation.

Question: Is there anything in new legislation about other SBA loan forgiveness?

Answer: Not really. The law does clarify that the EIDL Advance Grant is to be completely forgiven, instead of paid back or deducted from PPP forgiveness amounts. The law does not allow forgiveness for the EIDL loan. This is still a normal loan 30-year loan.

Question: How does the FTE employee safe harbor provision work for the new rounds of PPP? Do we use the number of employees in 2019 or on the date of the second PPP application?

Answer: We think the FTE employee safe harbor provision will likely be and work the same, except that loans under \$150,000 will not be a safe harbor. When applying for forgiveness for loans under \$150,000, the form will be similar to the current 3508S form. For loans not under \$150,000 and subject to simplified forgiveness, we expect the parameters of the FTE to have the same terms and conditions as the program did previously.

Question: What does NAICS mean and how do we determine if we qualify for the 3.5 times payroll amount for hospitality industries?

Answer: NAICS stands for the North American Industry Classification System. It is a research system used to classify business establishments. You can find out if you are within the hospitality industry and thus qualify for the 3.5 amount by visiting [www.census.gov](http://www.census.gov) or [www.naics.com](http://www.naics.com).

Question: I have 2 people out on sick leave and they perform specialized jobs. Do I need to hold their jobs open or can I terminate them?

Answer: First off, you should be very cautious against terminating these employees as that can open you up to liability for wrongful termination. Our webinar next Wednesday will provide more information on employment law and COVID related matters. Secondly, the FFCRA paid sick leave mandate has now expired. Under federal law and in most states, there is no requirement to provide

paid sick leave. With that said, both the CDC and OSHA advise employers to demonstrate flexibility with employees to keep workplaces safe.

Employers have two options to remain flexible and not lose revenue: If you take out PPP loan, you can use those proceeds to provide paid sick leave for employees who are deserving. Or you can choose to provide the paid sick leave under your discretionary authority and still receive the IRS dollar-for-dollar tax credits up until March 31<sup>st</sup>.

Question: What if a borrowing entity sells assets or merges with another company during the covered period?

Answer: If your PPP loan has not been forgiven or you take out a 2<sup>nd</sup> PPP loan, you will need to get permission from the SBA to sell assets or perform a business merger.

Question: Can a business owner claim income replacement for themselves? I run a salon where individuals rent booths from me, so am I eligible for the PPP?

Answer: YES, you qualify for the PPP. You are eligible for owner replacement income so long as your business was in operation prior to February 15, 2020.

Question: How does the calculation of employees (under 300) for the 2<sup>nd</sup> PPP loan work? Will this include both full- and part-time employees?

Answer: We are still unsure about this calculation and awaiting guidance from the SBA on this. What we can say is that we do not believe it will be a complicated FTE-type calculation, but likely just the total W-2 workers, both full- and part-time.

Question: Does this bill include any auto forgiveness?

Answer: No. The bill includes a one-page simplified forgiveness form. For this form, you still need to keep documentation in case of an audit. You will also need to attest to everything on the form, meaning liability follows for any false statements. This also means that many small businesses qualifying for simplified forgiveness will not have to worry about FTE calculations or 25% FTE reductions.

Question: What other loans impact my eligibility for PPP 2.0? EIDL? EIDL Grant? State or local loans/grants?

Answer: None of these loans are connected to eligibility for the second PPP loans. The only requirements are that a business exhausted all loan funds from the first PPP loan, they have under 300 employees, and can show at least a 25% gross receipt reduction during any quarter of 2020 compared to 2019.