



PPP Second-Draw Overview for Small Businesses

In the recent federal COVID-19 relief bill, Congress allocated \$284 billion for direct PPP loans to small businesses still struggling during the pandemic. The following is an overview of the PPP 2.0 **second-draw process**, meaning those who have received a PPP loan previously.

Important documents:

- [Open the Application for Second-Draw PPP Loans](#)
 - [Read SBA's Interim Final Rule \(IFR\) on Second-draw Loans](#)
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Second-Draw PPP Overview

The loan is fully forgivable, so long as the proceeds are spent according to the forgiveness rules below.

- Even if not forgiven, the loan has a low 1% interest rate.
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Eligibility

- Business must have been in operation prior to February 15, 2020;
- Business must have fewer than 300 employees;
- Business must have used or will use entire initial PPP loan before disbursement of 2nd PPP loan; and

- Business can show a 25% gross receipts* (defined below) decline. There are two ways to calculate a 25% reduction:
 1. Comparing annual gross receipts as reported on a tax return between 2020 and 2019, **or**
 2. Comparing gross receipts in any quarter in 2020 with gross receipts in the same quarter of 2019
 - If your loan is under \$150,000 – you simply need to certify your receipt loss when applying. You will provide documentation when applying for forgiveness.
 - If your loan is over \$150,000 – you must provide accompanying documentation with the application including annual tax forms, quarterly income statements, or bank statements.

Quarter: Not any three-month period, but the typical calendar quarters (Jan – March, April – June, July – Sept, Oct – Dec).

* Gross receipts: all revenue in whatever form received or accrued (in accordance with the entity's accounting method) from whatever source, including from the sales of products or services, interest, dividends, rents, royalties, fees, or commissions, reduced by returns and allowances. More details on page 4 of the [second draw loan application](#).

Limit

- \$2,000,000 maximum loan amount

Calculation of Loan Amount

- **2.5 x average monthly payroll costs** for 2019 or 2020
- **3.5 x average monthly payroll costs** for 2019 or 2020 for businesses in the hospitality and restaurant industries under NAICS Code 72



- **Seasonal employers:** monthly payroll costs are calculated at the election of the borrower by averaging the total monthly payments for payroll costs incurred or paid by the borrower for any 12-week period between February 15, 2019 and February 15, 2020.
 - Seasonal employer is defined as an employer that does not operate for more than 7 months in any calendar year or that during the preceding calendar year, had gross receipts for any 6 months of that year that were not more than 33.33 percent of the gross receipts of the employer for the other 6 months of that year.

Application Deadline

- 3/31/2021 or when funds run out – whichever happens first!

Payroll Costs

- Compensation to employees whose principal place of residence is the United States, in the form of salary, wages, commissions, or similar compensation. Cash tips or the equivalent may be included in compensation based on employer records of past tips, or, in the absence of such records, a reasonable, good-faith employer estimate of such tips. Capped at \$100,000 on an annualized basis.
- Payment for vacation, parental, family, medical, or sick leave.
- Allowance for separation or dismissal.
- 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.
- Payment of state and local taxes assessed on the compensation of employees.

- For an independent contractor, sole proprietor, or self-employed individual, wages, commissions, income, or net earnings from self-employment, or similar compensation.

The following are **NOT** allowable Payroll Costs for calculating loan amount:

- Any compensation of an employee whose principal place of residence is outside of the United States.
- The compensation of an individual employee in excess of \$100,000 on an annualized basis.
- Federal employment taxes imposed or withheld during the applicable period, including the employee's and employer's share of FICA, and income taxes required to be withheld from employees.
- Qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act.

Forgiveness

- **MUST** spend at least 60% of loan on eligible payroll expenses
- Forgivable expenses
 - Payroll
 - Utilities
 - Rent
 - Mortgage Interest
 - Operations Expenditure
 - Property Damage Cost
 - Supplier Cost
 - Worker Protection Expenditures
- Borrowers can choose between an 8- and 24-week covered period

Application Process

1. Fill out the appropriate application form – [SBA FORM 2483-SD](#)
2. Determine the amount you are eligible for
 - a. Determine the total payroll costs for all employees from FY 2019 or 2020
 - b. Subtract any amount of compensation over \$100,000 on an annualized basis paid to an employee
 - c. Divide the remaining amount by 12
 - d. Multiply this amount by 2.5 or 3.5 depending on whether you qualify as a hospitality/restaurant industry
 - e. The lessor of EITHER this amount or \$2,000,000 is your maximum loan amount
3. Submit the required payroll cost documentation

For more on PPP 2.0 for second-draw borrowers, including specifics on payroll costs, owner compensation, examples of eligible forgiveness expenses, and 25% calculation standards if your business opened in 2019, you can view our recent webinar and accompanying slides [here](#). For more information on other relief funding and the PPP visit [NFIB's coronavirus resource page](#) and join in [NFIB's COVID-19 webinar series](#).

Updated 01/12/2021