

NFIB UPDATE

COVID-19 Webinar Series for Small Business

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January 6, 2021 – Applying for a PPP 2.0



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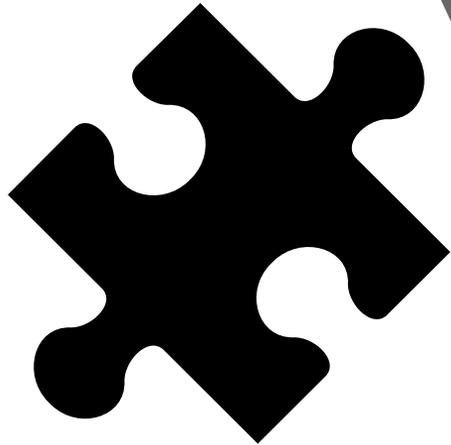
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- This is based on information available by 1/5/21.

Agenda



- Welcome and NFIB Introduction
- Covid-19 Small Business Resources
- Small Business Updates from the Recovery Bill
 - PPP 2.0
 - Changes to all PPP Loans and more
- Q&A

Covid-19 Small Business Resources



COVID-19 Resources

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- [PPP Loan Forgiveness Form 3508S Application Instructions](#)
 - [PPP Loan Forgiveness Form 3508S Application](#)
 - [PPP Loan Forgiveness Form 3508EZ Application Instructions](#)
 - [PPP Loan Forgiveness Form 3508EZ Application](#)
 - [PPP Loan Forgiveness Form 3508 Application Instructions](#)
 - [PPP Loan Forgiveness Form 3508](#)
 - [AICPA PPP Loan Forgiveness Calculator](#)
(**non-AICPA members can create free account to access**)
 - [NFIB COVID-19 Resources](#) (including webinar recordings)
 - [EIDL Grant Eligibility New Market Tax Credit Map](#)

NFIB COVID-19 Webinar Series for Small Businesses

Webinars cover:

- Paychecks Protection Program
- Economic Injury Disaster Loan Program
- Sick leave & employee COVID issues
- Tax Credits/Refunds
- Workplace safety and vaccine updates

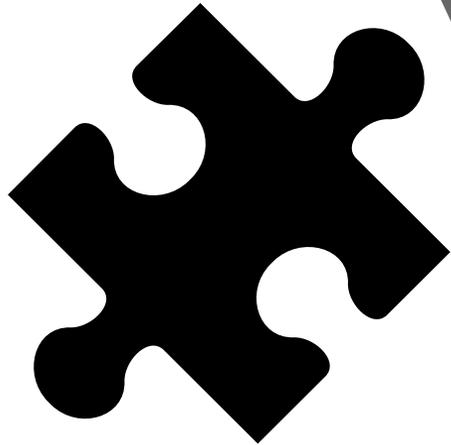


Next webinar Wednesday, Jan 13 @ 12pm EST

- Topics: PPP loan application new SBA guidance, vaccine polices for small business, and Q&A.



Paycheck Protection Program (PPP) 2.0



PPP 2.0 – Frequently Asked Questions

- Why apply for a PPP loan?
- Who is eligible for a PPP loan? (first or second)
- How do you calculate PPP loan amount?
- What expenses can I pay with the PPP loan and achieve forgiveness?
- When and how can I apply for a PPP loan (first or second)?

PPP 2.0 – Benefits of a PPP

- **Easy** - relatively simple to apply for a PPP.
- **Forgivable** - if you follow the rules, the “loan” (plus any accrued interest) will be forgiven and you won’t have to pay it back!
- **Cheap** - even if all your loan isn’t fully forgiven, PPP loans have a fixed interest rate of 1%, a much lower interest rate than if you took out a traditional business loan and no fees.

PPP 2.0 – Who is Eligible?

➤ Undercalculated your initial PPP loan?

- If you haven't applied for forgiveness yet, borrowers can submit an amended application to receive the full amount.

➤ Businesses that that need an initial PPP*

- Businesses with 500 or fewer employees
- 501(c)(6) organizations (300 employees; some lobbying restrictions apply)

➤ Businesses that need a second PPP*

- **Businesses with 300 or fewer employees, including sole proprietors, independent contractors and self employed, that have used or will use their first PPP (**don't need to have applied for forgiveness yet**) AND can show a 25% gross revenue decline in any 2020 quarter compared with the same quarter in 2019.**



*Businesses must have been in operation on or before February 15, 2020.

PPP 2.0 – Calculating 25% Reduction in Gross Receipts

- Demonstrate at least a 25% reduction in gross receipts in Q1, Q2, or Q3 of 2020 relative to the same 2019 quarter.
 - Loan applications submitted on or after January 1, 2021 are eligible to utilize gross receipts from Q4 of 2020.
 - For loans of up to \$150,000 you can simply certify your revenue loss when you apply, but on or before you apply for forgiveness you will have to produce documentation of that revenue loss.
- We are assuming SBA will require calendar quarters
 - Q1 runs January 1 – March 31
 - Q2 runs from April 1 – June 30
 - Q3 runs from July 1- Sept 30
 - Q4 runs from October 1 – December 31



PPP 2.0 – Calculating 25% Reduction (cont.)

- Note: business must have been in operation by Feb. 15, 2020 to be eligible.

- Calculations for entities not in business in 2019:
 - If you were not in business during the first or second quarter of 2019 but you were in business in the third and fourth quarter of 2019, then you may compare any quarter in 2020 with the third *or* fourth quarter of 2019 to determine whether gross receipts were reduced by at least 25%.
 - If you were not in business during the first, second, or third quarter of 2019, but you were in business in the fourth quarter of 2019, then you may compare any quarter in 2020 with the fourth quarter of 2019 to determine whether gross receipts were reduced by at least 25%.
 - A business that wasn't in business in 2019 but was in business before February 15, 2020 will compare gross receipts from the second, third or fourth quarter of 2020 to that first quarter of 2020 to determine whether gross receipts were reduced by at least 25%.



PPP 2.0 – Calculating PPP Loan Amount

➤ PPP loan is calculated by:

- 2.5 x average monthly payroll costs for 2019
- For PPP second loan only, **if NAICS Code 72** (hospitality/restaurants), **3.5** x average monthly payroll costs for 2019

Calculation

2019 Payroll x 2.5 (or 3.5) divided by 12 (months)
= maximum PPP loan

➤ Second PPP loan limits:

- \$2 million



PPP 2.0 – Calculating PPP Loan Amount (cont.)

Include the following payroll costs to calculate loan:

- **Payroll costs** consist employees' compensation (whose principal place of residence is the United States) in the form of salary, wages, commissions, or similar compensation; cash tips or the equivalent (based on employer records of past tips or, in the absence of such records, a reasonable, good-faith employer estimate of such tips); 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 benefits, including vision and dental, and retirement; payment of state and local taxes assessed on compensation of employees.
- **Owner-employee compensation replacement** (if not a W-2 employee which would be included in above) is based on 2019 Schedule C net profits, line 31. Divide that number by 12 and multiply that number by 2.5 which is 10 weeks worth of net profits for 2019.
- **Non-employer** PPP loans are calculated solely from 2019 Schedule C (or Schedule F) net profits (as above). The maximum loan amount for non-employer borrowers is \$20,833.



PPP 2.0 - Forgivable Expenses

- Payroll
- Utilities (gas, electricity, water, telephone, internet)
- Rent (real and personal property)
- Mortgage Interest
- Operations expenditure*
- Property damage cost*
- Supplier cost*
- Worker protection expenditure*

* New PPP 2.0 forgivable expenses

60/40 rule still applies
Must spend at least 60% of PPP loan on eligible payroll expenses

Choose between **8** or **24 week** covered period

PPP 2.0 – Forgivable Payroll Expenses

- Employees' cash compensation (only 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 (based on employer records of past tips or, in the absence of such records, a reasonable, good-faith employer estimate of such tips);
- 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 coverage, including insurance premiums, and retirement; and
- payment of state and local taxes assessed on compensation of employees.

PPP 2.0 – Owner Compensation Limits

- The amount of compensation of owners who work at their business that is eligible for forgiveness depends on the business type and whether the borrower is using an eight-week or 24-week covered period.
 - For an eight-week covered period, compensation is limited to eight weeks' worth (8/52) of 2019 owner-employee compensation (up to \$15,385), in total across all businesses.
 - For a 24-week covered period, compensation is limited to 2.5 months' worth (2.5/12) of 2019 owner-employee compensation (up to \$20,833), in total across all businesses.
- Compensation includes cash compensation and *may* include health and retirement benefits for certain owners.
- Review [SBA's PPP Forgiveness FAQs](#) (dated 8/4/20) for more information.



PPP 2.0 - Forgivable Non-Payroll Expenses (Expanded!)

- **Worker protection expenditures (PPE)** covers worker protection and facility modification expenditures, including personal protective equipment, sanitizer, plexiglass, and other expenses incurred to comply with COVID-19 health and safety guidelines.
- **Property damage** costs due to public disturbances that occurred during 2020 that are not covered by insurance
- **Supplier costs** pursuant to a contract, purchase order, or order for goods in effect prior to taking out the loan that are essential to the recipient's operations at the time at which the expenditure was made. Supplier costs of perishable goods can be made before or during the life of the loan.
- **Operations expenditures** for software, cloud computing, and other human resources and accounting needs.



PPP 2.0 – How to Apply?

- Application deadline March 31, 2021 (or until \$284 billion funding runs out).
- Lenders approved by the SBA can make these loans.
- Likely not all lenders who participated in the first round of PPP will participate again, however, Bank of America, JPMorgan Chase, Cross River Bank, and Wells Fargo have already committed to participate.
- Businesses do NOT have to apply for a second PPP loan with their original lender.
- PPP Application forms will be available at [SBA.gov](https://www.sba.gov).

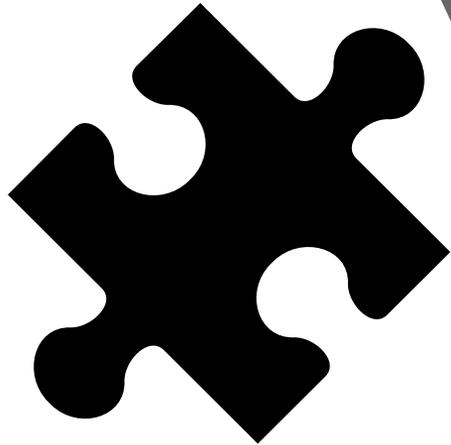
Check TODAY with your lender to see if they're participating in PPP 2.0



PPP 2.0 – Other Applicant Concerns

- No credit check is required. Some PPP lenders will check applicant's personal credit, so if this is of concern, be sure to ask before you apply.
- There is no personal guarantee.
- Normal SBA collateral requirements are waived.

Changes to all PPP loans and more



Tax Deductibility for PPP and EIDL Grant Expenses

- The legislation provides that business expenses paid with forgiven PPP loans and Economic Injury Disaster Loans (EIDL) are tax-deductible.
 - The bill clarifies that “no deduction shall be denied, no tax attribute shall be reduced, and no basis increase shall be denied, by reason of the exclusion from gross income provided” by Section 1106 of the CARES Act (which has been redesignated as Section 7A of the Small Business Act).
 - This supersedes [IRS guidance](#) that such expenses could not be deducted and brings the policy in line with what NFIB and hundreds of other business associations have argued was Congress’s intent when it created the original PPP.
 - This provision applies to loans under both the original PPP and subsequent PPP loans.



PPP Forgiveness and EIDL Grant Fix

- The recovery legislation repealed the requirement that an EIDL emergency grant (advance) be deducted from PPP forgiveness amount.
- In addition, the SBA Administrator is required within 15 days of when this legislation is enacted (12/27/20) to “ensure equal treatment” for borrowers whose loans have already been forgiven and who had their grants subtracted from the forgiven amount.

Simplified PPP Forgiveness for Loans of \$150,000 or less

- The SBA Administrator will have 24 days after the law is enacted (12/27/20) to release a new **one-page forgiveness application for loans of \$150,000 or less**— which includes all PPP loans, both under the first round and PPP 2.0.
- It will require the borrower to:
 - Describe the number of employees retained due to the PPP loan,
 - The **estimated** amount of the loan proceeds spent on payroll, and
 - The total amount of the loan.
- The borrower will have to certify they have complied with the requirements of the loan and retain records to prove compliance. (Employment related records must be retained for four years while others must be retained for three years.)



Employee Retention Tax Credit and PPP

- Extended to July 1, 2021.
- Increase the fully refundable portion of qualified wages from 50% to 70%.
- Employers able to take the Employee Retention Tax Credit and participate in the PPP.
- Up to \$14,000 per employee

Economic Injury Disaster Loan (EIDL) – still open!

- Six months of working capital
- 3.75% for businesses (fixed)
- 2.75% for nonprofits (fixed)
- 30 years
- No pre-payment penalty or fees
- Application deadline 12/31/21
- Apply [here](#).



Additional Funding for EIDL Advance Grants

- \$20 billion for EIDL Advance grants.
- Eligibility: small businesses and nonprofits in low-income communities can receive \$10,000 grants.
- Any small businesses and nonprofits in low-income communities that received an EIDL Advance previously are also eligible to receive the full \$10,000 if their award was less in the first round of grants.

[EIDL Grant Eligibility New Market Tax Credit Map](#)



Optional FFCRA Leave Tax Credits Extended to 3/31/21

- **Families First Coronavirus Response Act (FFCRA)**, effective 4/1/20, required employers with *fewer than* 500 employees to provide paid sick and family leave to employees for COVID-19 related reasons. FFCRA provides private employers with a refundable dollar-for-dollar payroll tax credit for the mandated leave. The tax credits and mandated leave requirements were originally set to expire on 12/31/20.
- **Mandated FFCRA Leave Expired 12/31** - The recovery legislation does not extend the FFCRA's requirement that covered employers must provide leave benefits. So as of 12/31/20, FFCRA-covered employers may dispense of the FFCRA leave scheme entirely.
- **Voluntary FFCRA Participation Allows Tax Credits Until 3/31/21** - FFCRA-covered employers that elect to extend FFCRA-like benefits voluntarily may continue to reap the tax benefits associated with the program through 3/31/21. Self-employed individuals may use their average daily self-employment income from 2019, rather than 2020, for purposes of computing these credits.



What other aid is available for small businesses?

- Pandemic unemployment benefits for the self-employed and independent contractors.
- Payment relief for eligible SBA loans will be extended. That means the SBA will cover the payment on eligible SBA loans—including interest, for up to a total of \$9000 per payment—for the next 3-8 months, depending on the borrower’s industry code and the type of loan.
- Live venues, independent movie theaters, and cultural institutions may be eligible for \$15 billion in dedicated grants. (Note that these organizations will have to choose between these grants and the new PPP loans – they can’t get both.)
- Landlords may benefit from the rental assistance program.
- Childcare businesses may be eligible for part of the \$10 billion allocated for assistance.



Have questions?

Email NFIB's COVID-19 team:
info@nfib.org

