



Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act

Frequently Asked Questions

When does the new law take effect?

Adjustments to, and expansions of, the original Paycheck Protection Program “shall be effective as if included in the CARES Act.” Within 10 days of the passage of the supplemental relief package, the Small Business Association “shall issue regulations to carry out this Act.” So, you should be able to enjoy the expanded benefits immediately, and we should anticipate additional guidance from the SBA imminently.

What if my loan has already been forgiven?

If you have applied for and received forgiveness for your original PPP loan, you will not be able to go back in and take advantage of the additional covered expenses. You may, however, pursue a second draw loan, though the requirements are somewhat different, including a maximum limit of 300 employees for eligible businesses as opposed to 500 employees.

Can I make adjustments to my original PPP loan with the new requirements?

When the seasonal calculation for a loan amount was expanded, businesses were given the opportunity to reapply and adjust their loan calculation. If you did not make an adjustment at the time, you should still be eligible to adjust your loan.

What is eligible for loan forgiveness under the new act?

In addition to payroll, rent, utilities, and personal protective equipment, there are additional eligible expenses specified in the supplemental act:

- Operational expenditures, such as business software or cloud computing services “that facilitate 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.”

- Property damage costs related to looting or vandalism due to public disturbances in 2020 that were not covered by insurance.
- Supplier costs, specifically expenditures made to a supplier for goods that were essential to operations at the time the expenditure was made, or were made “pursuant to a contract, order, or purchase order” in effect prior to the covered period, or with respect to perishable goods, in effect before or during the covered period.”
- Worker protection expenditures, meaning operational or capital expenditures undertaken to adapt to requirements established by the Department of Health and Human Services, the CDC, OSHA, or state and local governments, as long as the expenditures are related to maintenance standards for sanitation, social distancing, or any other requirement related to COVID-19. This includes air ventilations systems, physical barriers (i.e., sneeze guards), an expansion of indoor and/or outdoor business space, and “an onsite or offsite health screening capability.” Respirators and other personal protective equipment are also covered.”

Paycheck Protection Program Second Draw Loans

Businesses that applied for and received PPP loans under the CARES Act may apply for a second draw, assuming they are eligible entities under the new provision.

What time period should I use to determine my eligibility for a PPP second draw loan?

An eligible entity should be able to demonstrate that it “had gross receipts during the first, second, third, or... fourth quarter in 2020 that demonstrate no less than a 25 percent reduction from the gross receipts of the entity during the same quarter in 2019.”

If a business was in operation on February 15, 2020, but not in 2019, it is eligible if “gross receipts during the second, third, or, fourth quarter of 2020 that demonstrate not less than a 25 percent reduction from the gross receipts of the entity during the first quarter of 2020.”

What other criteria must a small business meet to be eligible for a second draw?

Eligible self-employed individuals, seasonal employers, non-profit organizations, sole proprietors, and independent contractors are all eligible for a second draw.

Businesses that have no more than 300 employees are eligible for a second draw.

Entities engaged primarily in political or lobbying activities are **not** eligible for a second draw.

What is the limit to my loan amount for a second draw?

2 ½ times “the average total monthly payment for payroll costs incurred or paid by the eligible during” either “the 1-year period before the date on which the loan is made; or the calendar year 2019,” for a maximum of \$2 million. You may choose the calculation that works best for you.

If you are an establishment providing customers with lodging and/or preparing meals, snacks, and beverages for immediate consumption, with an NAICS code of 72, you are eligible for 3 ½ times “the average monthly payment for payroll costs incurred... during the 1-year period before the date on which the loan is made, or calendar year 2019,” depending upon which calculation you prefer. Can seasonal employers calculate their maximum returns differently?

Seasonal employers can draw 2 ½ times “the average monthly total for payroll costs incurred or paid... for any 12-week period between February 15, 2019 and February 15, 2020,” up to a maximum of \$2 million.

How does a new business calculate the amount of a covered loan?

If an eligible entity did not exist during the 1-year period preceding February 15, 2020, they may receive 2 ½ times “the sum of total monthly payroll costs paid or incurred by the eligible entity as of the date on which the eligible entity applies for the covered loan” divided by “the number of months in which those payroll costs were paid,” up to a maximum of \$2 million.

How many times can I receive a second draw loan?

“An eligible entity may only receive 1 covered loan.”