**PPP ROUND 2.0 & EIDL (Economic Injury Disaster Loan)**

**New Stimulus Bill Includes Second Round of PPP Loans for Small Business and Forgiveness Rule Changes Favorable to Borrowers:**

**What You Need to Know**

**<<<<----NOTE---->>>>**

**PPP & EIDL loans only apply to business that were IN OPERATION on or around February 15, 2020 to qualify.**

Further guidance is set to be released from the U.S. Small Business Administration, and while there is no clear timeline for when applications for the second round will open, experts recommend that small businesses start preparing their paperwork now if they plan to apply.

The **LENDERS** will now determine how soon you can apply, and you will have less than three months to do so, with the last day to apply for and receive a PPP Loan will be March 31, 2021.

**What kinds of PPP loans will be available?**

There is funding for three categories of PPP loans in this legislation:

* First time PPP loans for businesses who qualified under the CARES Act but did not get a loan (“first draw” PPP loans);
* Second draw PPP loans for businesses that obtained a PPP loan but need additional funding; and
* Additional funding for businesses that returned their first PPP loan or did not get the full amount for which they qualified.

For all types of PPP loans, no collateral or personal guarantee is required. For these new loans, any amount not forgiven becomes a loan at 1% for five years.

**Eligibility Requirements**

To qualify for a Second Draw PPP Loan, you have to meet five requirements:

You are a business, independent contractor, eligible self-employed individual, sole proprietor, nonprofit organization, eligible for a First Draw PPP Loan, veteran’s organization, Tribal business concern, housing cooperative, small agricultural cooperative, eligible 501(c)(6) organization or eligible nonprofit news organization that:

* Has 300 or fewer employees, unless you're a business that satisfies the North American Industry Classification System (“NAICS”) code beginning with 72 or an eligible news organization with more than one physical location.
* Received a First Draw PPP Loan.
* Have used, or will use, the full amount of the First Draw PPP Loan on or before the expected date on which the Second Draw PPP Loan is disbursed to the borrower.
* Experienced a revenue reduction of 25% or greater in 2020 relative to 2019 in GROSS receipts

**\*\*\*\* NOTE \*\*\*\*** **THIS WILL BE REFLECTED ON YOUR 2020 BUSINESS TAX RETURNS. FOR THOSE OF YOU WHO ARE NOT MY “NORMAL” TAX CLIENTS, YOU WILL NEED TO WORK WITH YOUR TAX PREPARER/ACCOUNTANT TO MAKE SURE YOUR 2020 BUSINESS TAXES REFLECT THIS**…….**OTHERWISE, I AM WILLING TO TAKE ON ADDITIONAL TAX CLIENTS, CALL ME TO DISUCSS.**

**Forgiveness**

The terms and conditions of the Second Draw PPP Loans are subject to the same terms and conditions as First Draw PPP Loans. These include but are not limited to:

* The SBA guaranteeing 100% of the loans
* No collateral required
* No personal guarantees required
* 1% interest rate calculated on a non-compounding, non-adjustable rate
* The maturity is five years
* All loans will be processed by all lenders under delegated authority and lenders will be permitted to rely on certifications of the borrower to determine borrower eligibility

Second Draw PPP Loans are also eligible for loan forgiveness on the same terms and conditions as First Draw PPP Loans. So, for most borrowers (those of you borrowing less than $150,000), you can apply for forgiveness with a one-page attestation, which should be out in the next few weeks. Keep in mind, though, as I mentioned above, you will be required to provide documentation of revenue reduction if you did not supply that documentation at the time of the loan application.

**Eidl loans round 2?**

**Businesses that applied for an EIDL— even earlier in 2020– and meet the qualifications may receive the full $10,000 grant (minus any amount already received) even if their EIDL applications were not approved.**

**To qualify for the full targeted $10,000 EIDL grant, a business must:**

* **Be located in a low-income community, and**
* **Have suffered an economic loss greater than 30%, and**
* **Employ not more than 300 employees**

**In addition, the business must qualify as an eligible entity as defined in the CARES Act:**

* **A small business, cooperative, ESOP Tribal concern, with fewer than 500 employees\***
* **An individual who operates under as a sole proprietorship, with or without employees, or as an independent contractor; or**
* **A private non-profit or small agricultural cooperative.**
* **The business must have been in operation by January 31, 2020**
* **The business must be directly affected by COVID-19**

**Economic loss is defined as “the amount by which the gross receipts of the covered entity declined during an 8-week period between March 2, 2020, and December 17, 2021, relative to a comparable 8-week period immediately preceding March 2, 2020, or during 2019.”**

**Are EIDL grants taxable?**

**Good news!** The new legislation clarifies that EIDL grants are not taxable, that businesses who receive them will not be denied a tax deduction for qualified expenses paid for with those funds, and that EIDL grants will not be deducted from PPP for loan forgiveness purposes. This applies to all EIDL grants, including those already received.

The legislation says that a qualified business (“covered entity”) may submit a request to the SBA Administrator and receive the full $10,000 EIDL grant regardless of whether their application for an EIDL “is or was approved,” they accepted an EIDL loan, or they previously received a PPP loan. Any EIDL Grant (not loan) previously received will be subtracted from the $10,000 EIDL Grant.

The SBA will be required to notify anyone who received a previous EIDL grant or who applied but did not receive one because funding was exhausted, that they may be able to apply for the full $10,000 grant.

If a business requests an EIDL grant, the SBA will have 21 days after receiving the request to verify whether the business is eligible. If eligible, the grant will be provided and if not, the applicant must be told why the SBA did not consider them eligible. It does not spell out the verification procedure other than to state that the SBA may request any documentation necessary, including tax records, even if that information has been requested before.

The legislation states the SBA will process applications in the order received, except that priority will be given to those who previously received an EIDL grant under the CARES Act, followed by those who did not receive a grant because funding was exhausted.

* **If you got the full $10,000 EIDL grant the first time around, it does not appear you can get a second grant.**
* **If you did not get the full $10,000 grant (or got no grant) the first time around, then you may be eligible for this round of targeted grants. It’s also possible the SBA will make EIDL grants available on a $1000 per employee basis to those who missed out the first time because funding was exhausted. Again, we’ll wait for further guidance from the SBA.**
* **It does not appear you can get a second EIDL loan. However, if you already applied for an EIDL loan and were not approved, or if you need additional loan funds, you have six months from the date of the decline letter to apply for reconsideration. This legislation extends this program through December 31, 2021.**

The SBA has indicated that a new disaster loan application portal will be available by January 17, 2021.

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**If you were rejected in the first round or did not receive funds, you have a chance to apply again for an initial PPP loan.**

**If you or someone you know needs assistance applying for the second round, please contact me, same process applies!**