

PPP Second Draw

Is My Small Business Eligible for the Paycheck Protection Program Second Draw?

The original Paycheck Protection Program closed for applications on August 8, 2020. On December 27, 2020, President Trump signed the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (the Economic Aid Act) (Pub. L. 116-260) into law to provide continued assistance to individuals and businesses that have been financially impacted by the ongoing coronavirus pandemic. This law authorized SBA to open a second draw of the Paycheck Protection Program for qualifying businesses. On January 6, 2021, SBA released Interim Final Rules as guidance on the program.

Paycheck Protection Program (PPP) will re-open the week of January 11 for new borrowers and certain existing PPP borrowers. To promote access to capital, initially only community financial institutions will be able to make First Draw PPP Loans on Monday, January 11, and Second Draw PPP Loans on Wednesday, January 13. The PPP will open to all participating lenders shortly thereafter.

Mississippi SBDC will continue to monitor the situation and provide timely updates as information is received.

Who is Eligible? Businesses that meet the following criteria are eligible for a 2nd PPP Draw:

- Have 300 or fewer employees
- Experienced 25% revenue reduction in 2020 relative to 2019 (to any corresponding quarter) OR experienced a 25% revenue drop on an annual basis
 - *Note:** Revenue excludes prior forgivable PPP receipts
- And have used or will use the 1st draw of PPP by the time the 2nd PPP draw is disbursed AND the 1st Draw was ONLY used on eligible expenses

What are the Loan Terms? The Loan Terms are exactly the same as the 1st PPP Draw

- The loan is 100% guaranteed by SBA
- No collateral or personal guarantee are required
- Loan matures in 5 Years with 1% interest, calculated on a non-compounding, non-adjustable basis
- Borrower certifies eligibility and use of proceeds for eligible expenses under the program

What is the Maximum Loan Amount?

- Borrowers are eligible for the LESSER of 2.5 x average payroll costs OR 2 Million Dollars
- Borrowers assigned NAICS codes beginning with 72 (including hotels and restaurants) are eligible for the LESSER of 3.5 x average payroll costs OR 2 Million Dollars

***Note:** Unlike First Draw PPP Loans, the Economic Aid Act provides that the relevant time period for calculating a borrower's payroll costs for a Second Draw PPP Loan is either the twelve-month period prior to when the loan is made or calendar year 2019.

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What Documentation should I gather?

- Documentation to Substantiate Payroll Costs Calculation (includes Form 941 or other tax forms containing similar information) and state quarterly wage unemployment insurance tax reporting forms from each quarter in 2019 or 2020 (whichever you used to calculate loan amount), or equivalent payroll processor records, along with evidence of any retirement and health insurance contributions. A payroll statement or similar documentation from the pay period that 34 covered February 15, 2020 must be provided to establish you were in operation on February 15, 2020.)

***Note:** Borrower is not required to resubmit substantiating documentation if borrower wishes to utilize the same 2019 calculation from the first PPP Draw and utilizes the same lender.

- Documentation to Substantiate 25% decline in revenue (includes relevant tax forms, including annual tax forms, or, if relevant tax forms are not available, quarterly financial statements or bank statements)

***Note:** For loans under \$150,000, Borrower may submit supporting documents after application but prior to application for forgiveness.

How long is the program available?

The program is available through March 31, 2020 or when the 284 Billion funds are exhausted.

For more information view the Interim Final Rule

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