

# Paycheck Protection Program (PPP)

Updated: January 20, 2021

The program provides **forgivable** loans at 1% interest through SBA approved lenders to help small businesses for payroll and other qualified business expenses during the COVID-19 pandemic.

## 1 Is my business eligible?

### First Draw Loans (up to \$10 million)

(my business has not yet received a PPP loan)

- All businesses – including nonprofits, veterans' organizations, sole proprietorships, self-employed individuals, and independent contractors – with **500** or fewer employees
- Business must have been impacted as a result of COVID-19 pandemic
- Business and employees must be based in the United States of America

### Second Draw Loans (up to \$2 million)

(my business received a PPP loan, and would like to apply for a second one)

- All businesses – including nonprofits, veterans' organizations, sole proprietorships, self-employed individuals, and independent contractors – with **300** or fewer employees
- Businesses must have experienced a 25% revenue loss in 2020 compared to 2019 (can be calculated using a quarter to quarter or annual comparison).
- Business must have used or will use the full amount of its first draw PPP loan by the expected disbursement date of the second draw PPP loan. First PPP must have been used on eligible expenses

## 2 How do I qualify for loan forgiveness?

Borrowers will be eligible for loan forgiveness equal to the amount that the borrower spent on qualified expenses during the 8- or 24-week period which begins the day the funds are deposited into the business's account, assuming adequate records are kept. At least 60% of the total loan amount must be spent on payroll costs for employees. Employee count must match or exceed the number of employees used when submitting your application.

The amount of the loan that will be forgiven will be reduced proportionally if the following are not met:

- A business fails to spend at least 60% of the loan amount on payroll
- A business fails to pay at least the same number of employees used on the application
- A business cuts wages in excess of 25% for any employees

## 3 How to calculate your maximum loan amount?

**Step 1:** Aggregate payroll costs from the last twelve months for employees whose principal place of residence is the United States.

**Step 2:** Any employee making \$100k+/year is capped at \$100k. Subtract any compensation paid to an employee in excess of annual salary of \$100k.

**Step 3:** Calculate average monthly payroll costs (**divide the amount from Step 2 by 12**).

**Step 4:** Multiply the average monthly payroll costs from Step 3 by 2.5. For Second Draw PPP loans, accommodations and restaurant businesses only (NAICS Code beginning with 72) multiply by 3.5.

## 4 What expenses will the loan cover?

### Payroll Costs

- Salary, wages, commissions and tips (**capped at \$100k/year/employee**)  
**Note:** Payroll for employees who earn tips can be based on employee records of past tips or in the absence of such records, a reasonable, good-faith employer estimate of such tips  
**Note:** Payroll for independent contractors or sole proprietors can include wage, commissions, income, net earnings or similar compensation
- Most benefits including costs for vacation, parental, family, medical or sick leave; payments required for the provisions of group health care benefits including insurance premiums; payment of any retirement benefit; payment of state and local taxes assessed on compensation of employees

### Business Costs

- Mortgage interest payments (**NOT mortgage prepayments or principal payments**), rent payments, utility payments  
**Note:** all service contracts and/or lease/debt agreements must have been in place prior to February 15, 2020
- Worker protection costs related to adapting to COVID-19
- Property damage costs caused by public disturbances in 2020 not covered by insurance or other compensation
- Certain supplier costs and expenses for operations

### Refinance an SBA Economic Injury Disaster Loan (EIDL)

- If your business received an EIDL loan from January 31, 2020- April 3, 2020, you can refinance it using a PPP loan
- Proceeds from any advance up to \$10,000 on the EIDL loan will be deducted from the loan forgiveness amount on the PPP loan

## 5 How do I apply?

PPP loans are secured **through a local bank, credit union or other lender**. Gather the documentation listed below and contact a participating local lender to submit your application. You will improve your chances for receiving a loan under this program if you have a complete application before contacting the lender. For a complete application, you will need:

- **Application:** A completed Paycheck Protection Program Borrower Application Form as either a first time or second time borrower.  
Be prepared to sign a certification that will attest to the business's need for a loan due to the uncertainty of current economic conditions and to use the loan proceeds to retain employees and other allowable business costs. **IMPORTANT:** a business cannot accept a PPP loan if the business has already received other federal funding for the same purposes and time period the PPP loan will be used for.
- **Business Information:** Business launch date, ownership information, amount of annual sales/revenue and mailing address.  
**Documentation may include photo ID for all owners who own 20% or more of the business**, articles of incorporation, EIN/TIN, profit and loss statements for 2019 and 2020, copies of your tax returns.
- **Employers with payroll employees:** Payroll and related expense information for 2019 or 2020. Payroll reports should include all eligible expenses including wages, commissions, tips, health insurance, retirement, and paid leave benefits.  
**Documentation may include IRS Quarterly 940, 941 or 944 and payroll reports prepared by your payroll company.**
- **Self-employed individuals (sole proprietors, independent contractors): 1099s from 2019 or 2020 or other proof of wages, commissions, and other income.**

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## 6 What about the Economic Injury Disaster Loan (EIDL)?

The COVID-19 Economic Injury Disaster Loan is another way to get funding for your business during this crisis. This loan provides up to \$2 million at 3.75%, for up to 30-year terms. To apply, please visit the [SBA website \(sba.gov/page/disaster-loan-applications\)](https://www.sba.gov/page/disaster-loan-applications) and be prepared to provide:

- SSN/EIN Number
- Gross revenue for 2018 or 2019 (from tax returns)
- Cost of goods sold for 2018 or 2019 (from tax returns)
- Date business was established or owned
- Number of employees  
(1099 contractors excluded from employee count)
- Bank name
- Account number
- Routing number