



**DISCLAIMER**

This document has been prepared by Trinity HR Consulting, Inc. (“Trinity”) solely for use as a general source of information. As such, it is not intended to take the place of advice from legal and/or tax counsel. Trinity strongly urges seeking legal and/or tax counsel on this subject matter prior to taking any related actions or making any related decisions.



**PAYROLL PROTECTION PROGRAM: 2<sup>ND</sup> ROUND OF LOANS**

The following provides selected important information about the newly implemented second round of the federal government’s Payroll Protection Program (PPP) Loans

**TERMS**

The terms applicable for the PPP 2 Loans are generally the same as the terms applicable to PPP 1 Loans. Those terms include the following:

- 1) 100% SBA guarantee;
- 2) no collateral is required;
- 3) no personal guarantees are required;
- 4) one percent interest rate;
- 5) five year maturity; and
- 6) lenders may make such Loans under delegated authority from the SBA and rely on borrower's certifications regarding eligibility

**ELIGIBILITY**

**A. Operations:**

A PPP 2 applicant must have:

- 1) been in business on February 15, 2020;
- 2) had a PPP 1 Loans where the full amount of such Loans was utilized or will be utilized prior to disbursement of the PPP 2 Loans, and
- 3) have used the proceeds of its PPP 1 Loans only for eligible expenses under the existing PPP program rules

## **B. Employees:**

- 1) Maximum of 300.
- 2) PPP borrowers that were eligible for PPP 1 Loans based on a "per location" analysis (single business entity may employ no more than 300 employees per physical location)

## **C. Gross Receipts:**

To qualify, a PPP borrower must show at least a 25% reduction in gross receipts in Q1, Q2, Q3, **OR** Q4 of 2020, as compared to the same quarter in 2019.

- A PPP borrower that was in operation for all four quarters of 2019 is deemed to satisfy this revenue reduction requirement if it experienced a reduction in annual receipts of 25% or greater in 2020 compared to 2019, and the borrower submits annual tax forms substantiating such revenue decline.  
⇒ Forgiveness amounts received pursuant to PPP 1 Loans are excluded from a borrower's gross receipts calculation.

## **D. Number of Loans**

- An eligible borrower may only obtain one PPP 2 Loans.

## **MAXIMUM PPP 2 LOANS AMOUNT**

The maximum is calculated based on 2.5 times the monthly payroll expenses in the year prior to the PPP Loans origination, calendar year 2020, or calendar year 2019 (or 3.5 times of the monthly payroll expenses for PPP borrowers with an NAICS Code of 72: Accommodations and Food Services).

- The maximum PPP 2 Loans amount is \$2 million.
- Businesses that are part of a single corporate group may not receive more than an aggregate amount of \$4M in PPP 2 Loans.

## **ELIGIBLE EXPENSES**

In addition to those expenses applicable to PPP 1 Loans (payroll costs, mortgage payments, rental payments, utility payments), the following expenses are eligible:

- 1) covered operations expenditures: includes payments for business software or cloud computing;
- 2) covered supplier costs: includes goods that were essential to the business at the time the expenditure was made and such expenditures were made pursuant to a contract;
- 3) covered worker protection expenditures: includes expenses required to comply with governmental requirements (including sneeze guards, ventilation systems, and the expansion of outdoor space) and personal protective equipment costs (these costs can be incurred any time after March 2020); and
- 4) covered property damage costs: includes costs related to looting or vandalism in 2020 that were not covered by insurance or other compensation.

## **ECONOMIC NECESSITY CERTIFICATION**

Borrower must make the same certification made in connection with a PPP 1 Loans (current economic conditions make the Loans request necessary).

## **FORGIVENESS**

All "eligible expenses" (as defined above) incurred during the covered period are eligible for forgiveness. However, the 60%/40% ratio for payroll costs, as compared to other eligible expenses that applied to PPP 1 Loans forgiveness calculations, also applies to PPP 2 Loans forgiveness calculations.

## **APPLICATION REQUIREMENTS**

Each PPP 2 lender must use either the SBA's application form or create a form that is substantially similar. Applicants must also provide documentation to support the 25% revenue reduction requirement.

- This documentation may consist of relevant tax forms, quarterly financial statements or bank statements. PPP lenders are required to perform a "good faith review, in reasonable time" of a PPP 2 Loans applicant's calculations and supporting documentation.

## **PPP 1 BORROWERS WITH LOANS UNDER REVIEW BY SBA**

Where the SBA has information that a PPP 1 borrower may not have been eligible for such Loans, the lender will receive a notice from the SBA when it submits the PPP 2 Loans application, and no SBA Loans number will be provided until an eligibility determination has been made.