

PAYCHECK PROTECTION PROGRAM

The Paycheck Protection Program (PPP) provides forgivable loans of up to \$10 million (1st Draw Loan) or \$2 million (2nd Draw Loan) to eligible entities through banks and credit unions. The current application deadline for PPP loans is May 31, 2021, with an additional 30 days past the new deadline for the Small Business Administration to process applications.

For information beyond what is provided below, please see regulations for [1st Draw Loans](#) and [2nd Draw Loans](#), or contact your nearest [SBA District Office](#).

WHO QUALIFIES?

	1st Draw Size Limit	2nd Draw Size Limit
Self-employed individuals, independent contractors, and sole proprietors	Not Applicable	Not Applicable
Small Businesses	500 Employees, SBA Size Standard , or Alternative Size Standard ¹	300 Employees
501(c)(3) Nonprofits	500 Employees or SBA Size Standard*	300 Employees
501(c)(6) Nonprofits that meet specified lobbying restrictions²	300 Employees*	300 Employees
501(c)(19) Nonprofits	500 Employees or SBA Size Standard*	300 Employees
501(c) or Quasigovernmental DMOs that meet specified lobbying restrictions²	300 Employees*	300 Employees
News Organizations	500 Employees or SBA Size Standard*	300 Employees
Other Nonprofits³ that meet specified lobbying restrictions²	300 Employees*	300 Employees

*Nonprofit organizations that exceed the applicable employee size limit are eligible if they do not exceed the applicable size limit per physical location of the organization.

Additional Conditions	1st Draw Loans	2nd Draw Loans
	Was fully operational on February 15, 2020	Received a 1st Draw Loan and will exhaust it by time the 2nd Draw Loan is issued
	Must self-certify that current economic conditions necessitate the loan.	Used all of 1st Draw Loan on eligible expenses
		Experienced at least a 25 percent revenue ⁴ decline in a quarter in 2020, compared to the same quarter in 2019
		Must self-certify that current economic conditions necessitate the loan.

For more information, please see SBA regulations for [1st Draw Loans](#) and [2nd Draw Loans](#).

NOTE: Professional sports leagues, publicly-traded companies, political organizations are ineligible for either a 1st or 2nd Draw Loan. Borrowers owned by an entity with significant operations in China are ineligible for a 2nd Draw Loan.

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DEFINITION OF ELIGIBLE DESTINATION MARKETING ORGANIZATIONS (DMOS)

Under the law, eligible DMOs are defined as any entity that meets ALL of the following criteria:

- Is either:
 - A tax-exempt organization described under 501(c) of the tax code and exempt from tax under 501(a); or
 - Part of a state, county, or local government (or an instrumentality of such entities);
- Engages in marketing and promoting communities and facilities to businesses and leisure travelers; AND
- Meets specified lobbying restrictions.²

CALCULATING EMPLOYEE SIZE

To determine whether you meet the applicable employee size limit, you must count all part-time, full-time, and other basis employees you have (combined) on average over (1) the last 12 months prior to the date of loan application or (2) the time period used to calculate aggregate payroll costs.

SPECIAL ALLOWANCE FOR FOOD AND LODGING BUSINESSES

Food, lodging and news organizations (according to NAICS Codes 72,⁵ 511110, or 5151) with multiple locations, that have more employees than allowed under the applicable size limit (300 or 500 employees) but less than the applicable limit at each physical location, can apply for a separate loan per physical location meeting the applicable employee size limit—provided each location uses a separate Employer Identification Number (EIN).

LOAN AMOUNT

MAXIMUM LOAN AMOUNT

In general: For 1st and 2nd Draw Loans, the maximum loan amount is based on 2.5x average monthly payroll costs (over the previous 12 months, 2020, or 2019).⁶

- Up to \$10 million for 1st Draw Loans
- Up to \$2 million for 2nd Draw Loans

For food and lodging businesses (as defined under NAICS Code 72) seeking a 2nd Draw Loan: The maximum loan amount is based on 3.5x average monthly payroll costs, up to \$2 million.

NOTE: The aggregate limit for all affiliates within a corporate group is \$20 million for 1st Draw Loans and \$4 million for 2nd Draw Loans, regardless of any exemption to affiliation rules.

PAYROLL COSTS

Payroll costs include wages, commission, payment of cash tips or equivalent, severance, retirement benefits, state or local payroll taxes, paid leave, group health benefits (including group life, disability, vision, and dental insurance). It does not include any cash compensation paid to an employee in excess of \$100,000, or any compensation claimed under the Employee Retention Tax Credit.

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FEATURES

Covered Period. The loan can be used to cover expenses over any period between eight weeks and 24 weeks after the loan is issued, at the discretion of the borrower.

Loan Forgiveness: Tax free loan forgiveness is available for any amount used on eligible expenses during the covered period. (see Loan Forgiveness section)

Loan fees, certain credit requirements and collateral are waived: Borrowers do not have to pay any loan fees, prove they cannot find credit elsewhere, provide collateral or a personal guarantee or pay a penalty for prepayment.

Tax Deductibility of Covered Expenses: You can deduct any expense paid for with PPP funds if it is normally a tax-deductible expense.

EIDL Refinancing: A 1st Draw Loan can be used to refinance an Economic Injury Disaster Loan (EIDL).

LOAN APPLICATION PROCESS

To apply for a loan, you must contact a [participating lender](#) and submit an application, along with any supporting documentation needed to demonstrate eligibility, which may include payroll records, payroll tax filings, income tax filings or bank records.

If you fail to provide requested documents within 20 days of loan approval, the loan will be cancelled.

For more information on how to apply, please visit the SBA's website [here](#).

NOTE: Business partners must apply on a consolidated bases at the partnership level, rather than individually as self-employed individuals.

LOAN FORGIVENESS

Tax free loan forgiveness is provided for amounts used to cover eligible expenses during the covered period (8-24 weeks). Details on the application process for loan forgiveness can be found [here](#).

Timeline: Borrowers can apply for loan forgiveness anytime between the end of the covered period and the maturity date of the loan. Loan forgiveness requests must be approved or denied by the lender and SBA within 150 days.

Eligible Expenses: Eligible expenses include payroll costs, mortgage debt interest, rent, utilities, supplies and inventory, software and cloud-based services, uninsured damages from public disturbances in 2020 and measures to meet COVID-19 health and safety guidelines.⁷

60/40 Requirement: To be eligible for loan forgiveness, at least 60% of loan proceeds must be used on payroll expenses, limiting nonpayroll costs to 40% of the loan. Any amount of nonpayroll costs exceeding the 40% limit will not be forgiven.

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Loan Forgiveness Penalty: The loan forgiveness amount is reduced by the percentage of employment and the amount of wages that is reduced over the covered period, compared to the “applicable period.”⁸ However, the penalty doesn’t apply if the borrower makes a good-faith effort to rehire employees, but is unable to due to any reason, including if the borrower is unable to fully restore operations due to ongoing health and safety restrictions.

Loan Repayment: Any amount not forgiven must be paid back within five years, with an interest rate of 1%. Borrowers don’t have to make payments on the loan for the first 10 months after the end of the covered period. However, interest accrues during this deferment period.

1. Under SBA’s alternative size standard, a business concern may qualify as a small business concern if it, together with any affiliates: (1) has a maximum tangible net worth of not more than \$15 million; and (2) the average net income after federal income taxes (excluding any carry-over losses) for the two full fiscal years before the date of application is not more than \$5 million.
2. To be eligible, 501(c)(6) organizations and DMOs cannot (1) receive more than 15 percent of their revenue from lobbying activities; (2) have their lobbying activities amount to more than 15 percent of their total activities; and (3) have spent more than \$1 million on lobbying activities in 2019. Lobbying activities are defined under the Lobbying Disclosure Act of 1995 (See question 57 in SBA’s [PPP FAQ](#)).
3. Any tax-exempt nonprofit organization that is not described under Section 501(c)(3), (4), (6), or (19) of the tax code.
4. Total revenue is generally defined as anything received or accrued from any source during the entity’s annual accounting period, excluding capital gains, any forgiven amount of a PPP loan, collected sales taxes, and any third-party funds held by an intermediary.
5. Defined as establishments primarily engaged in providing short-term lodging in facilities, such as hotels, motels, casino hotels, and bed-and-breakfast inns AND/OR or preparing meals, snacks and beverages for immediate consumption.
6. For seasonal businesses, the time period for determining average monthly payroll is any 12-week period between February 15, 2019 and February 15, 2020. Seasonal businesses are defined as businesses that (1) operate for no more than seven months out of the year, or (2) earn no more than 1/3 of their annual revenue in any six months during the preceding year.
7. Defined as any measure designed to adapt to any requirement or guideline issued by a state, local government, The U.S. Department of Health and Human Services, the Centers for Disease Control and Prevention, or the U.S. Occupational Safety and Health Administration to reduce the spread of COVID-19, including the installation of (1) drive-through windows, (2) upgraded HVAC systems, (3) sneeze guards, (4) space to accommodate physical distancing, (5) onsite or offsite health screenings, and (6) personal protective equipment. Residential real estate and intellectual property are NOT eligible expenses.
8. Seasonal employers can also choose any consecutive 12-week period between February 15, 2019 and February 15, 2020 as their reference period.