

PAYCHECK PROTECTION PROGRAM (PPP) ROUND 2

The Paycheck Protection Program has re-opened and is accepting applications for “first draw” and “second draw” loans. Business owners have until March 31, 2021 to complete the PPP application. If you spend the loan within 24 weeks and meet certain conditions, you may not have to pay the loan back (details below).

WHO IS ELIGIBLE TO APPLY FOR A FIRST DRAW LOAN?

You are eligible to apply for a first draw loan if you have not previously received PPP funds (even if you applied) AND you are a small business (no more than 500 employees) or sole-proprietor; you were in operation by February 15, 2020; and you have a Tax ID.

Additional entities, including nonprofit organizations, veterans organizations and tribal business concerns, are also be eligible if they meet certain conditions. For a full eligibility list, visit <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program/first-draw-ppp-loans>.

WHO IS ELIGIBLE TO APPLY FOR A SECOND DRAW LOAN?

You are eligible for a “second draw” loan if you previously received PPP funding, you have no more than 300 employees and you can demonstrate at least a 25% reduction in gross receipts between comparable quarters in 2019 and 2020. Funds from your first loan must be spent before your second loan is disbursed, and your “first draw” loan must have been spent only on authorized uses.

WHEN + HOW DO I APPLY?

PPP applications opened the week of January 11.

You can submit an application through an SBA-approved community lender or bank. Find a list of community lenders serving Detroit and Southeast Michigan here: <https://detroitmeansbusiness.org/financial-resources/paycheck-protection-program/>, or search for any SBA-approved lender here: <https://www.sba.gov/paycheckprotection/find>.

LOAN FORGIVENESS

Loan forgiveness means you are not expected to repay your loan or pay interest. If you use at least 60% of your PPP loan on payroll expenses and maintain employment levels during the covered period of the loan (8-24 weeks), you can apply to have the loan forgiven. Otherwise, the loans carry a 1% interest rate and a maturity of five years. Forgiven PPP loans are not considered income for federal tax purposes.

To apply for full or partial loan forgiveness, work with your lender to complete a forgiveness request form within 10 months after the last day of the covered period. There is a simplified form for loans of \$150,000 or less.

WHAT WILL I NEED TO APPLY?

You will likely need to submit additional documentation with your PPP application (**requirements differ by lender**). You do not have to show proof of loss of income in order to be eligible for PPP. Your lender may request:

- Business and Personal Tax Returns (1-3 years)
- 2020 Interim Financial Statements
- Payroll information: IRS Forms 940, 941, W-3, and/or Detailed Payroll Summary Report
- Business Property Mortgage Statement or Lease Agreement + business Property Utility Bills
- SBA Personal Financial Statement (SBA Form 413)

WHAT COSTS ARE ELIGIBLE?

PPP Round 2 covers payroll costs, as well as some additional expenses. Payroll costs include:

- Salary, wages, commission for employees who live in the US, including employees who are immigrants
- Payment of cash tip or equivalent
- Pay for vacation, parental, family, medical or sick leave
- Allowance for employee dismissal or separation
- Payment for group health care benefits, including insurance premiums and retirement benefits
- Payment of state or local tax

New eligible expenses for Round Two include:

- Software, cloud computing, other HR/accounting needs
- Property damage costs due to public disturbances that occurred during 2020 that are not covered by insurance
- Supplier costs
- Worker protection expenditures (PPE)

QUESTIONS?

If you are small business owner or have questions about PPP, Global Detroit may be able to help.

Get in touch at **(313) 676-9905** or info@globaldetroitmi.org