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Valued Client,

Small Business Administration (SBA) has released guidance on the second round of Payroll Protection Program (PPP) loans. These loans have great potential to be fully forgiven. Through our research, the below information is our best understanding of the new guidance.

There are two different applications for round 2 PPP loans:

1. Businesses that have received a first round PPP loan will now be applying for their second draw. A business or self-employed individual may qualify for round 2 (second draw) if they have a 25% decrease in gross business income in any 2020 quarter when comparing it to the same quarter of 2019.
2. Businesses who did not receive a first round PPP loan will be applying for their first draw. When the application is submitted, comparison of 2019 and 2020 revenues is not required. It appears that the qualifications are not difficult to meet for any business or self-employed individual for the first draw PPP loans.

Note: This may be a great opportunity for many businesses or self-employed individuals especially ones with business losses. You may qualify for this loan even if you do not have traditional payroll. For example, self-employed individuals with no employees may still qualify. We have been told that farmers with farm losses on their schedule F from 2019 tax return would now potentially qualify for a first draw PPP loan since it would now be based on gross income. Also, the business must not have permanently closed.

SBA PPP loans must be submitted through an eligible lender (loans are hosted by these lenders). Please contact your lender or find an eligible lender in order to inquire if you are eligible or not and also to apply for the PPP loan. Your lender or the SBA website (sba.gov) should be able to provide any additional information on this new loan program.

Best wishes,

*Samantha Penberthy, CPA*

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